

## Annual Report 2015



**MCB-Arif Habib Savings and Investments Limited**

AM2 Plus by PACRA

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## **Vision**

To become synonymous with Savings.

## **Mission**

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

## **Core Values**

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

## COMPANY INFORMATION

<b>Board of Directors</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Financial Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Share Registrar</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. Tel: (92-21) 111-111-500 Fax: (92-21) 34326031 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Summit Bank Limited Bank Al Habib Limited Allied Bank Limited	
<b>Auditors</b>	<b>A.F. Ferguson &amp; Co.</b> Chartered Accountants (a member firm of PwC network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Akhund Forbes</b> D-21, Block-4, Scheme-5, Clifton, Karachi.  <b>Bawany &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Registered Office</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	Asset Manager: "AM2+" (PACRA) Entity Ratings: "AA-" (PACRA)	



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifteenth (15th) Annual General Meeting of MCB-Arif Habib Savings and Investments Limited will be held on Monday, October 12, 2015 at 3:00 p.m. at Jasmine Hall, Beach Luxury Hotel, Moulvi Tamizuddin Khan Road, Karachi – Pakistan to transact the following business:

### Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting held on October 23, 2014.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2015 together with Directors' and Auditor's Reports thereon.
3. To consider and approve final cash dividend of 17.50% i.e. Rs. 1.75 per ordinary share of Rs. 10/- each as recommended by the Board of Directors. This is in addition to the interim cash dividend of 15.00% i.e. Rs. 1.50 per ordinary share of Rs. 10/- each already paid to the shareholders during the year, thus making a total cash dividend of 32.50% i.e. Rs. 3.25 per ordinary share of Rs. 10/- each for the year ended June 30, 2015.
4. To appoint external auditors of the Company for the year ending June 30, 2016 and fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed the re-appointment of M/s A. F. Ferguson & Co. Chartered Accountants as external auditors, for the year ending June 30, 2016.
5. To transact any other business with the permission of the Chair.

By Order of the Board



**Muhammad Saqib Saleem**  
Company Secretary

September 18, 2015  
Karachi

### Notes:

#### 1. Book Closure Notice

The Share Transfer Books of the Company will remain closed from Tuesday, October 06, 2015 to Monday, October 12, 2015 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi – 74400, by the close of business (5:00 p.m) on Monday, October 05, 2015, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend and to attend and vote at the meeting.

#### 2. Appointment of Proxy and Participation in the AGM

A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy to attend, speak and vote for his/her behalf. A proxy need not be a member of the Company. A proxy shall also have the right to demand and join in demanding a poll and vote on a poll.

The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarially certified copy of the power or authority, must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company. Form of Proxy is enclosed.

Beneficial owners of the physical shares and the shares deposited with the Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting.

#### 3. Notice of Submission of Valid CNIC Copies (Mandatory)

SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed the companies to issue dividend warrant only crossed as "A/c Payee only" which should bear the Computerized National Identity Card (CNIC) of the registered member or authorized person. Moreover, the availability of valid CNIC of all members is also necessary for filing, with SECP, the list of members along with Annual Return of the Company.

Members, who have not yet submitted attested photocopy of their valid CNIC along with folio number are requested to send the same, at the earliest, directly to the Company's Share Registrar. In case of non-availability of valid copy of CNIC of any member, in the Company's records, the Company will be constrained to withhold the Dividend Warrants of such members, which will be released only upon providing the copy.

## NOTICE OF ANNUAL GENERAL MEETING

### 4. Dividend Mandate (Optional)

Dividend Mandate Forms are available at the Registered Office of the Company. Members are encouraged to provide, duly filled in dividend mandate form, to receive the cash dividend declared by the Company, if any, directly into their bank account through e-dividend payment mechanism, as advised by the Securities and Exchange Commission of Pakistan vide its communication reference No. 8(4)SM/CDC2008 dated April 05, 2013. The members who wish to avail e-Dividend payment facility shall not receive the dividend warrant. Members not providing dividend mandate shall continue to be paid through the dividend warrants.

### 5. Deduction of Withholding Tax on the Amount of Dividend under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

(i) Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

- a) Rate of tax deduction for filer of income tax return 12.5%
- b) Rate of tax deduction for non-filers of income tax return 17.5%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL before the date for payment of the cash dividend i.e. October 28, 2015 (tentative) otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%. List of Filers is available at Federal Board of Revenue's (FBR) website: <http://www.fbr.gov.pk>.

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio/CDC A/c No.	Total number of shares	Principal Shareholders		Joint Holder (s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

(iii) The required information must reach our Share Registrar by the close of business (5:00 p.m) on Monday, October 05, 2015; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

(iv) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following phone Numbers, email addresses:

**Company:** MCB-Arif Habib Savings and Investments Ltd  
UAN: 11-11-622-24 Email: [info@mcbah.com](mailto:info@mcbah.com)

**Share Registrar:** Central Depository Company of Pakistan Ltd  
Tel #: 0800-23275 Email: [info@cdcpak.com](mailto:info@cdcpak.com)

### 6. Change in Members Addresses

Members are requested to immediately notify any change in their address to the Share Registrar M/s. Central Depository Company of Pakistan Limited in order that the dividend warrants may be dispatched to their correct addresses.

### 7. Placement of Audited Financial Statements on the Website

The financial statements for the year ended June 30, 2015 and reports have been placed on the Company's website: [www.mcbah.com](http://www.mcbah.com).

### 8. Circulation of Annual Audited Financial Statements and Notice of AGM through emails

Pursuant to S.R.O. 787(i)/2014 dated September 08, 2014 SECP has permitted companies to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. A Standard Consent Form is available at the Company's website: [www.mcbah.com](http://www.mcbah.com). Members, who wish to avail this facility, should send duly filled-in Consent Form along with a copy of NIC or valid passport (in case of foreign shareholder) to Company Secretary at Registered Office of the Company or a scan copy through email at [company.secretary@mcbah.com](mailto:company.secretary@mcbah.com). It will be the responsibility of members to intimate any change in their valid registered email address to the Company in timely manner. In case any member opt to this facility, can subsequently requests for printed copy of Annual Audited Financial Statements, the same shall be provided free of cost within 7 days of receipt of such request.

## DIRECTORS' REPORT

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The Board of Directors of MCB-Arif Habib Savings and Investments Limited (MCBAH) is pleased to present the Annual Report on the affairs of MCBAH for the year ended June 30, 2015.

### Company's Performance Review

Your Company recorded a gross income of Rs. 772.818 million, which includes management/investment advisory fee and other operating income. After accounting of administrative, operating expenses and income sharing of Rs. 380.181 million, the company earned a profit before tax of Rs. 392.637 million. The net profit after tax for the year amounts to Rs. 278.863 million, as compared to net profit of Rs. 182.641 million for the previous financial year ended June 30, 2014. Accordingly, with the increasing trend of size of Funds under management of the Company, the Company is expected to deliver better results going forward.

The Earning per share of current financial year ended June 30, 2015 is Rs. 3.87 per share as compared to Rs. 2.54 per share in previous financial year ended June 30, 2014.

The Board has also proposed a final dividend of 17.50%. In addition, the Company has paid interim dividend @ 15 % as on December 31, 2014 to its share holders.

### MARKET & ECONOMIC REVIEW

#### Economy & Money Market Review

Lower oil prices benefited the country in the form of improving macroeconomic indicators during FY15. Average annual inflation remained significantly below the target, foreign exchange reserves improved, Current account deficit narrowed down and GDP growth marginally increased.

As oil prices stood around \$ 63 per barrels at the end of June, 2015 in the international market, the Brent crude has nearly halved in price since its peak of around \$ 114 a barrel touched in June, 2014. Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 4.56% in FY15 as opposed to the average inflation of 8.6% in FY14

While the country's current account deficit summed to \$ 2.28 billion at the end of FY15 as opposed to deficit of \$ 3.13 billion in FY14. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from growth in remittances.

Import bill remained close to the last year's level, as benefit of lower oil bill was annulled by volumetric increase in imports in other segments. Exports remained weak in consideration of disruptive power supplies, weak competitiveness and a weak demand outlook in export destinations particularly Europe. Workers' Remittances totaled to \$ 18.45 billion in FY15, marking a growth of 17 percent as compared to last year.

At the same time, financial account registered a surplus of \$ 4.52 billion as compared to a surplus of \$ 5.55 billion recorded during the last year. This is mainly due to lower Direct Investments and Portfolio investments in the country.

The country's FX reserves got an impetus from multilateral and bilateral disbursements, successful continuation of IMF program, privatization proceeds, Sukuk auction and lower oil bill. The reserves stood at around \$ 18.7 billion at the end of June, increased by around \$ 4 billion in FY15.

Keeping in view of subsiding inflationary pressure along with improving outlook on the balance of payment, the State Bank announced successive cuts in the discount rate in the monetary policy held in November, January, March and May, bringing the discount rate to 7 percent from 10 percent at the start of the year.

With the country battling with power crisis and poor infrastructure, commitment of \$ 47 billion in the form of investments in the power and infrastructure sectors by Chinese president in April-2015 is expected to provide an impetus to resource mobilization and economic activity for Pakistan. Pace of progress along with extent of domestic partnerships on key development projects shall however be critical for achieving the desired impact on economy over the next 3 years.

All these positive developments led to the improvement in the country's rating outlook by the international rating agencies. Moody's Investors Service has upgraded Pakistan to the 'B-3' category. While Standard and Poor's (S&P) ratings' agency has raised Pakistan's credit rating to positive, with rating reaffirmed at B-.

## DIRECTORS' REPORT

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M2 has expanded by 12.3 percent during FY15 (till June 26, 2015) as opposed to 11.43% in FY14 with stable contribution from NFA. At the same time, the net borrowing from the banking system increased by Rs. 1,001 billion as opposed to Rs. 373 billion during the previous year.

Treasury market remained quite active during the year, largely due to declining interest rate scenario stemming from sharp decline in oil prices. Participation largely remained concentrated in longer tenure paper causing strain on short term liquidity which was supported by SBP through frequent OMO injections. In order to efficiently manage market liquidity, SBP introduced a target rate; 50bps below the ceiling rate (Discount rate). Moreover, to reduce volatility, policy makers also reduced the width of the interest rate corridor by 50 bps to 200 bps.

### Equities Market Review

KSE-100 index rose by a decent 16% in FY15 as against an average annual growth of 35% recorded during the past three fiscal years.

Mid and small cap stock remained in the limelight on the back of lower energy cost and commodity price. Index heavy weights i.e. Oil and Gas and Banking sectors remained the main contributors to dismal market performance. Declining trend with high volatility in oil prices didn't allow Oil and Gas sector to perform while attractiveness of banking sector was marred by regular reductions in discount rate causing the net interest margins to shrink.

Monetary easing and low interest rate outlook on the back of lower expected inflation supported the performance of leveraged and high yielding sectors like Fertilizer and Electricity. Cement sector was the beneficiary of both soft raw material cost and lower interest rate. Mid and small cap stocks benefited on account of lower energy cost and commodity prices.

The average turnover stood at around 218 million shares, while foreigners remained buyer with net inflow of around \$ 39 million. Strong participation in HBL transaction, including a foreign exchange component of \$ 764 million, reflects the confidence of investors in improving macroeconomic fundamentals.

### MARKET & ECONOMY - FUTURE OUTLOOK

On the back of weak crude oil prices, average CPI is expected to remain in lower range of around 6% in FY16. Forex Reserves are also expected to remain strong with the continued focus of government on privatization plans. Moreover, the government aims to raise \$ 1 billion by issuing Eurobond and planning to borrow \$ 1 billion from Islamic Development Bank (IDB) in FY16. The agreement with China for investment in infrastructure and energy projects is likely to support the weak FDI and shall be the key to rejuvenate economic activity.

Due to subsiding cost pressure, we expect manufacturing sectors, primarily, Auto, Cement and Consumer sectors to outperform the broader market. Moreover, continuation of expansionary environment suggests high-dividend yield companies will continue to perform. While improvement in Pakistan's sovereign outlook and possible reclassification of Pakistan to emerging market by MSCI will support appetite for Large Cap stocks.

### MUTUAL FUND INDUSTRY REVIEW

The Net Assets of the open end mutual fund industry stood at around Rs. 411.9 billion at the end of June-2015, marking a growth of 6.8 percent during the fiscal year. AUMs of Islamic Income funds and Money Market funds declined while Equity and Income funds registered growth.

In terms of the segment share, Equity funds was the leader with a share of around 26 percent, followed by Income Fund with 19.5 percent and Money Market funds with 16.2 percent.

Near 300 basis points decline in discount rate and a near commensurate downward shift in yield curve created capital gain opportunities for Bond Funds and Income Funds which in turn attracted significant interest and investments from various investor segments in this Fund Category. Lower interest rates increased the attractiveness of Equity Market and Equity Funds and Equity Linked Funds also experienced reasonable interest particularly through the CPPI based Capital Protected Strategy Funds. Moreover, improved distribution, along with rapidly evolving technology platforms contributed towards the growth.

However, towards the year-end industry witnessed significant outflows as few investor segments align their exposures to optimize tax expense.

### MUTUAL FUND INDUSTRY OUTLOOK

Growing tougher tax environment for large investor segments has highlighted the need for industry for a renewed focus on the retail segment where results have remained mix and require significant time and investment in resources. Overall improvement in macroeconomic indicators bodes well for capital markets; asset class performance is likely to remain key to overall growth in the industry in the near term.

## DIRECTORS' REPORT

Asset class performances are likely to attract interest particularly in Equity Funds as lower interest rates are pushing investors to increase risk appetite to enhance returns. Income funds which reflected stellar performance this year by capitalizing on the downward shift in yield curve may now gradually reflect more of accrual yield and relatively lower capital gains although another round of significant moves in crude oil either side due to its implications for inflation outlook may bring the yield curve in limelight. Asset Allocation and Balanced Funds which exhibited stellar returns due to high return opportunities in both asset classes would rely more on Equity Markets for yield enhancement and thus likely to show stable flows.

### Entity Rating and Asset Manager Rating

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of “AM2+” dated April 7, 2015 to the Company. Ratings of Collective Investment Schemes under management of the Company are as under:

	--- As at June 30, 2015 ---		--- As at June 30, 2014 ---		
	-----Performance ranking-----				
Fund	Long-term	Short-term	Long-term	Short-term	Rating agency
MCB Pakistan Stock Market Fund (Formerly: Pakistan Stock Market Fund)	3 - star	3 - star	3 - star	3 - star	PACRA
Pakistan Premier Fund *	-	-	3 - star	3 - star	PACRA
Pakistan Capital Market Fund	3 - star	4 - star	3 - star	3 - star	PACRA
Pakistan International Element Islamic Asset Allocation Fund	3 - star	4 - star	3 - star	3 - star	PACRA
MCB Pakistan Islamic Stock Fund (Formerly: Pakistan Strategic Allocation Fund)	2 - star	4 - star	2 - star	1 - star	PACRA
MCB Dynamic Stock Fund *	-	-	4 - star	4 - star	PACRA
MCB Pakistan Asset Allocation Fund (Formerly: MCB Dynamic Allocation Fund)	4 - star	4 - star	4 - star	4 - star	PACRA

	--- As at June 30, 2015 ---	--- As at June 30, 2014 ---	
	----- Stability rating -----		Rating agency
Pakistan Cash Management Fund	AAA (f)	AAA (f)	PACRA
Pakistan Income Fund	A + (f)	A + (f)	PACRA
MCB Pakistan Sovereign Fund (Formerly: MetroBank - Pakistan Sovereign Fund)	A+ (f)	AA- (f)	PACRA
Pakistan Income Enhancement Fund	A + (f)	A + (f)	PACRA
MCB DCF Income Fund (Formerly: MCB Dynamic Cash Fund)	A + (f)	A + (f)	PACRA
MCB Cash Management Optimizer	AA (f)	AA (f)	PACRA
MCB Islamic Income Fund	AA - (f)	AA - (f)	PACRA

\* Both the Funds were merged into MCB Pakistan Stock Market Fund, on May 5, 2014.

### Holding Company

MCB Bank Limited, being the parent company of MCB-Arif Savings and Investments Limited, holds 51.33% of the outstanding ordinary shares of the Company.

### Corporate Governance

The Company is committed to implement the highest standards of corporate governance. With three (3) independent Directors on the Board, as governing body of the Company the Board is accountable to the shareholders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Company remains committed to conduct business in line with listing regulations of Karachi Stock Exchange, which

## DIRECTORS' REPORT

clearly defined the role and responsibilities of Board of Directors and Management.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements prepared by the management of the Company, present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departures there from have been adequately disclosed and explained.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Company's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key operating and financial data of the last 6 years in summarized form is annexed.
- i. Outstanding taxes, duties, levies and charges have been fully disclosed in the annexed audited financial statements.
- j. During the year no Director has attended the Directors' Training Program organized by the Pakistan Institute of Corporate Governance (as already all the directors have completed the course or they are exempted from attending training course due to sufficient working experience).
- k. Summary of shares acquired or disposed during the year by the Chief Executive, Directors, Chief Financial Officer & Company Secretary and Chief Internal Audit and their spouses and minor children is provided below:

	<u>Purchase</u>	<u>Sales</u>
Mr. Nasim Beg (Executive Vice Chairman)	-	80,000

- l. The detailed pattern of share holding as on June 30, 2015 is annexed.

### Meeting of the Directors

During the year, six (6) meetings of the Board of Directors were held. The attendance of each Director is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1 Mian Muhammad Mansha	6	6	1	5
2 Mr. Nasim Beg	6	6	6	-
3 Dr. Syed Salman Shah	6	6	4	2
4 Mr. Haroun Rashid	6	6	3	3
5 Mr. Ahmed Jahangir	6	6	6	-
6 Mr. Samad A. Habib	6	6	4	2
7 Mr. Mirza Mahmood Ahmad	6	6	3	3
8 Mr. Yasir Qadri	6	6	6	-



## DIRECTORS' REPORT

### Meeting of the Audit Committee

During the year, four (4) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1 Mr. Haroun Rashid	4	4	2	2
2 Mr. Samad A. Habib	4	4	2	2
2 Mr. Ahmed Jahangir	4	4	4	-

### Meeting of the Human Recourse and Remuneration Committee

During the year, two (2) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1 Dr. Syed Salman Shah	2	2	2	-
2 Mr. Nasim Beg	2	2	2	-
3 Mr. Ahmed Jahangir	2	2	2	-
4 Mr. Haroun Rashid	2	2	2	-
5 Mr. Yasir Qadri	2	2	2	-

### Auditors

The present auditors, A.F. Ferguson & Co., Chartered Accountants, have completed their engagement for the year ended June 30, 2015 and shall retire on the conclusion of the 15<sup>th</sup> Annual General Meeting.

The Audit Committee considered and recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as statutory auditors of the Company for the year ending June 30, 2016 and the Board of Directors also endorsed the recommendation of the Audit Committee.

### Acknowledgement

The Board of Directors of the Management Company is thankful to the Securities and Exchange Commission of Pakistan, the management of the Karachi Stock Exchange Limited for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the Company for their commitment and dedication and shareholders for their confidence in the Company.

For and on Behalf of Board



**Yasir Qadri**  
Chief Executive Officer

Karachi: August 7, 2015.

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2015**

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
ABDUS SAMAD	2	504	0.00
NASIM BEG	3	27,322	0.04
MIAN MOHAMMAD MANSHA	1	500	0.00
SYED SALMAN ALI SHAH	1	500	0.00
HAROUN RASHID	1	500	0.00
YASIR QADRI	1	1,200	0.00
AHMED JAHANGIR	1	500	0.00
MIRZA MAHMOOD AHMAD	1	1,000	0.00
<b>Associated Companies, undertakings and related parties</b>			
MCB BANK LIMITED - TREASURY	1	36,956,768	51.33
ARIF HABIB CORPORATION LIMITED	1	21,664,167	30.09
ADAMJEE INSURANCE COMPANY LIMITED	1	1,142,340	1.59
<b>Executives</b>	2	435,121	0.60
<b>Public Sector Companies and Corporations</b>	1	70	0.00
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	7	1,732,370	2.41
<b>Mutual Funds</b>			
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	900,000	1.25
<b>General Public</b>			
a. Local	1008	4,146,329	5.76
b. Foreign	2	72,004	0.10
Foreign Companies	1	2,481,500	3.45
<b>Others</b>	28	2,437,305	3.39
<b>Totals</b>	<b>1064</b>	<b>72,000,000</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
MCB BANK LIMITED - TREASURY	36,956,768	51.33
ARIF HABIB CORPORATION LIMITED	21,664,167	30.09

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2015**

Number of Shareholders	Shareholdings' Slab			Total Shares Held
319	1	to	100	4,206
134	101	to	500	41,310
262	501	to	1000	175,788
215	1001	to	5000	449,630
37	5001	to	10000	280,029
25	10001	to	15000	311,991
12	15001	to	20000	221,900
7	20001	to	25000	163,238
3	25001	to	30000	83,500
3	30001	to	35000	99,000
4	35001	to	40000	149,000
2	40001	to	45000	81,200
4	45001	to	50000	199,543
2	50001	to	55000	103,900
3	55001	to	60000	176,800
1	60001	to	65000	60,500
1	70001	to	75000	72,000
1	75001	to	80000	77,880
2	80001	to	85000	169,000
1	90001	to	95000	92,000
1	95001	to	100000	96,500
1	135001	to	140000	139,500
1	155001	to	160000	155,500
1	165001	to	170000	167,000
1	175001	to	180000	177,000
2	185001	to	190000	374,121
1	195001	to	200000	200,000
1	205001	to	210000	210,000
3	210001	to	215000	639,000
1	225001	to	230000	230,000
1	245001	to	250000	250,000
1	250001	to	255000	251,000
1	290001	to	295000	292,500
1	310001	to	315000	315,000
1	425001	to	430000	430,000
1	530001	to	535000	535,000
1	645001	to	650000	650,000
1	730001	to	735000	730,689
1	895001	to	900000	900,000
1	1140001	to	1145000	1,142,340
1	2480001	to	2485000	2,481,500
1	21660001	to	21665000	21,664,167
1	36955001	to	36960000	36,956,768
<b>1064</b>				<b>72,000,000</b>

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited (the Company) to comply with the Code of Corporate Governance contained in Regulation no. 35 of listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Directors	1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	1. Mr. Nasim Beg – Executive Vice Chairman 2. Mr. Yasir Qadri – Chief Executive Officer
Non – Executive Directors	1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Company.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No formal Code of Corporate Governance Leadership Skills (CGLS) training was organized for any director as all the directors already possess required training or qualification and experience as required by CCG.
10. The Board of Directors in a resolution passed through circulation on March 30, 2015, appointed Chief Financial Officer and fixed his remuneration and terms and conditions of employment. However, there have been no new appointments of Company Secretary and Head of Internal Audit during the year.
11. The Directors' Report of the Company for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Company do not hold any interest in the shares of the Company other than that disclosed in the pattern of share holding.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Company. It comprises of three members, which are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed an Human Resource and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the committee is an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the fund and the Company.
19. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done by the board in the meeting held on August 07, 2015.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's shares, was determined and intimated to directors, employees and the stock exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



**Yasir Qadri**  
Chief Executive

Karachi: August 7, 2015



## A. F. FERGUSON & CO.

### REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB - Arif Habib Savings and Investments Limited** for the year ended June 30, 2015 to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Company's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Chartered Accountants

Dated: September 8, 2015

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320



## FINANCIAL AND BUSINESS HIGHLIGHTS

### Financial highlights for the last 6 years

		2010	2011	2012	2013	2014	2015
Pre tax Margin	%	14%	32%	39%	41%	41%	51%
Net Margin	%	17%	25%	27%	29%	31%	36%

### *Performance*

Return on assets	%	8%	5%	10%	11%	11%	14%
Return on equity	%	13%	6%	11%	12%	12%	19%

### *Leverage*

Gearing (T-Debt:Equity)	times	0.68	0.07	0.10	0.11	0.19	0.34
Interest Coverage Ratio	times	2.09	-	-	-	-	75.50

### *Liquidity*

Current Ratio	times	1.80	6.32	7.83	7.33	4.17	2.63
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### *Valuation*

Earnings per share	Rs.	2.14	1.97	2.01	2.19	2.54	3.87
No. of ordinary shares (million)		30	72	72	72	72	72

### *Historical trend*

Management fee (Rs. in million)	271.06	237.23	479.61	469.98	510.67	640.09
Operating profit [PBIT] (Rs. in million)	100.39	91.72	205.19	220.16	239.35	398.77
Profit before tax (Rs. in million)	52.35	90.72	205.14	220.16	239.11	392.64
Profit after tax (Rs. in million)	64.25	71.65	144.58	157.65	182.64	278.86
Share capital (Rs. in million)	300	720	720.00	720.00	720.00	720.00
Shareholders equity (Rs. in million)	488.07	1,269.62	1,281.93	1,273.03	1,353.85	1,505.04
Total assets (Rs. in million)	821.89	1,356.63	1,410.02	1,411.54	1,607.73	2,019.33



**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **MCB Arif Habib Savings and Investments Limited** as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

*A. F. Ferguson & Co.*

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: September 8, 2015

Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*  
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# BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 ----- Rupees -----	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	4	369,833,385	384,746,339
Long-term investments	5	433,477,071	356,922,294
Long-term loans and receivables	6	3,108,010	5,082,907
Long-term deposits		1,384,984	1,511,236
		<u>807,803,450</u>	<u>748,262,776</u>
<b>Current assets</b>			
Receivable from related parties	7	357,749,760	181,401,477
Loans and advances	8	2,280,786	656,206
Deposits, prepayments and other receivables	9	24,347,871	9,216,690
Accrued markup	10	7,980,335	4,317,100
Short-term investments	11	753,589,772	600,560,776
Taxation - net	12	49,667,230	52,764,616
Cash and bank balances	13	15,912,374	10,554,360
		<u>1,211,528,128</u>	<u>859,471,225</u>
<b>Total assets</b>		<u><u>2,019,331,578</u></u>	<u><u>1,607,734,001</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital		720,000,000	720,000,000
72,000,000 (2014: 72,000,000) ordinary shares of Rs 10 each		<u>720,000,000</u>	<u>720,000,000</u>
Issued, subscribed and paid-up share capital	14	720,000,000	720,000,000
Reserves	15	773,857,836	622,095,830
<b>Total equity</b>		<u>1,493,857,836</u>	<u>1,342,095,830</u>
Surplus arising on revaluation of property- net of deferred tax	16	11,181,023	11,750,176
		<u>1,505,038,859</u>	<u>1,353,846,006</u>
<b>Non-current liabilities</b>			
Deferred taxation	17	53,850,439	47,931,810
<b>Current liabilities</b>			
Trade and other payables	18	460,442,280	205,956,185
<b>Total liabilities</b>		<u>514,292,719</u>	<u>253,887,995</u>
<b>Total equity and liabilities</b>		<u><u>2,019,331,578</u></u>	<u><u>1,607,734,001</u></u>

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 38 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 ----- Rupees -----	2014
<b>Revenue</b>			
Management fee / investment advisory fee	20	640,094,001	510,665,922
Processing and other related income		5,776,610	1,123,677
Profit on bank deposits		2,200,985	1,818,718
Income from government securities		21,139,294	2,983,571
Dividend income		3,795,440	-
Capital gain on sale of investments - net		98,718,257	26,379,259
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	11.1	25,601	39,669,838
		<u>771,750,188</u>	<u>582,640,985</u>
<b>Operating expenses</b>			
Administrative and operating expenses	21	(259,516,326)	(274,125,759)
Selling and distribution expenses		(106,519,513)	(68,129,958)
		<u>(366,035,839)</u>	<u>(342,255,717)</u>
<b>Operating profit</b>		<u>405,714,349</u>	<u>240,385,268</u>
Other operating expenses	22	(8,013,012)	(4,892,201)
Financial charges	23	(6,132,024)	(234,388)
		<u>391,569,313</u>	<u>235,258,679</u>
Other income		1,067,748	3,852,333
<b>Profit for the year before taxation</b>		<u>392,637,061</u>	<u>239,111,012</u>
Taxation- net	24	(113,773,711)	(56,469,960)
<b>Profit for the year after taxation</b>		<u><u>278,863,350</u></u>	<u><u>182,641,052</u></u>
Earnings per share - basic and diluted	25	<u><u>3.87</u></u>	<u><u>2.54</u></u>

The annexed notes 1 to 38 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	----- Rupees -----	
Profit for the year after taxation	278,863,350	182,641,052
<b>Other comprehensive income for the year</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised appreciation on re-measurement of 'available-for-sale' financial assets	88,250,869	61,476,159
Unrealised loss / (gain) transferred to profit and loss account on disposal of available-for-sale investments	78,634	(3,775,560)
	88,329,503	57,700,599
<b>Total comprehensive income for the year</b>	<u>367,192,853</u>	<u>240,341,651</u>

The annexed notes 1 to 38 form an integral part of these financial statements.



Chief Executive Officer



Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015	2014
		----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year before taxation		392,637,061	239,111,012
<b>Adjustments for non-cash and other items:</b>			
Capital gain on sale of investments - net		(98,718,257)	(26,379,259)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(25,601)	(39,669,838)
Depreciation		13,335,707	13,663,977
Amortisation		5,092,417	3,545,884
Financial charges		6,132,024	234,388
Loss on disposal of fixed assets - net		91,680	70,398
		(74,092,030)	(48,534,450)
<b>Operating cash flows before working capital changes</b>		318,545,031	190,576,562
<b>Movement in working capital</b>			
<b>(Increase) / Decrease in current assets</b>			
Receivable from related parties		(176,348,283)	(111,669,151)
Repayment of long-term loans and receivables		1,974,897	659,685
Loans and advances		(1,624,580)	218,043
Deposits, prepayments and other receivables		(18,794,416)	(3,287,299)
Accrued return on bank deposits		-	156,443
		(194,792,382)	(113,922,279)
<b>Increase in current liabilities</b>			
Trade and other payables		254,486,095	108,538,797
<b>Cash generated from operations</b>		378,238,744	185,193,080
Taxes paid		(104,757,696)	(46,663,035)
Financial charges paid		(6,132,024)	(234,388)
Dividends paid		(216,000,000)	(162,000,000)
		(326,889,720)	(208,897,423)
<b>Net cash generated from / (used) in operating activities</b>		51,349,024	(23,704,343)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(3,665,350)	(11,488,812)
Proceeds against redemption of investments		328,949,588	40,759,553
Long-term deposits - net		126,252	8,500
Proceeds from disposal of fixed assets		58,500	184,475
<b>Net cash generated from investing activities</b>		325,468,990	29,463,716
<b>Net increase in cash and cash equivalents</b>		376,818,014	5,759,373
Cash and cash equivalents at the beginning of the year		10,554,360	4,794,987
<b>Cash and cash equivalents at the end of the year</b>	3.7 & 26	387,372,374	10,554,360

The annexed notes 1 to 38 form an integral part of these financial statements.

  
Chief Executive Officer

  
Director



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The annexed notes 1 to 38 form an integral part of these financial statements.

  
Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** MCB-Arif Habib Savings and Investments Limited ("the Company") was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on August 30, 2000 as an unquoted public limited company under the Companies Ordinance, 1984. During 2008, the Company was listed on the Karachi Stock Exchange by way of offer for sale of shares by a few of its existing shareholders to the general public. In the same financial year, the name of the Company was changed from "Arif Habib Investment Management Limited" to "Arif Habib Investments Limited" (AHIL). Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from May 23, 2013.
- 1.2** The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 1.3** The registered office of the Company is situated at 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** The Company has been assigned an Asset Manager rating of AM2+ by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on April 07, 2015. Currently, the Company is managing the following funds under management:

	Note	Net asset value as at	
		June 30, 2015	June 30, 2014
		----- Rupees in millions -----	
<b>Open-end Collective Investment Schemes (CISs)</b>			
Pakistan Income Fund		1,131	1,008
Pakistan Sarmaya Mehfooz Fund	1.4.1	741	-
MCB Pakistan Stock Market Fund	1.4.2	6,075	3,730
MCB Pakistan Sovereign Fund	1.4.2	3,193	2,496
Pakistan International Element Islamic Asset Allocation Fund		804	411
Pakistan Capital Market Fund		682	365
Pakistan Cash Management Fund		1,442	3,148
Pakistan Income Enhancement Fund		969	1,677
Pakistan Strategic Allocation Fund	1.4.2	666	358
MCB Islamic Income Fund		1,261	2,055
MCB Pakistan Asset allocation Fund	1.4.2	2,640	779
MCB DCF Income Fund	1.4.2	11,273	11,102
MCB Cash Management Optimizer		12,533	10,181
<b>Pension Funds</b>			
Pakistan Pension Fund		873	595
Pakistan Islamic Pension Fund		439	321
<b>Discretionary portfolio</b>		13,814	7,207

- 1.4.1** Pakistan Sarmaya Mehfooz Fund (PSMF) was launched during the year ended June 30, 2015. PSMF is a Capital Protected Fund with an objective to pay back investors the whole of their initial investment (net of Front-end load) i.e. Rs 100 per unit over the term of its two years life.
- 1.4.2** During the year ended June 30, 2015, the names of following funds were changed, their new and former names are as under:
- MCB Pakistan Stock Market Fund (Formerly Pakistan Stock Market Fund)
- MCB Pakistan Sovereign Fund (Formerly Metro Bank - Pakistan Sovereign Fund)

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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MCB Pakistan Asset Allocation Fund (Formerly MCB Dynamic Allocation Fund)  
MCB DCF Income Fund (Formerly MCB Dynamic Cash Fund)

- 1.4.3** Pakistan Premier Fund and MCB Dynamic Stock Fund were merged into MCB Pakistan Stock Market Fund on May 2, 2014.
- 1.5** The Company is also managing investments under discretionary portfolio management agreements, the details of which are given in note 20.2 to these financial statements.

**2 BASIS OF PRESENTATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

The following amendments to existing standards have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2014:

- Amendment to IAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have significant effect on the financial statements of the Company.
- Amendment to IAS- 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS-36 by the issue of IFRS 13. The Company has incorporated the impact of this amendment in the financial statements.
- IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions." The interpretation addresses the obligating event that give rise to pay a levy and when a liability should be recognised.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

**2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**

- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist where the determination of control is difficult to assess. The amendments may impact the financial statements of the Company and the management is in the process of assessing the full impact of the change. The effective date of applicability of IFRS 10 is January 01, 2015.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

#### **2.4 Critical accounting estimates and judgments**

The preparation of these financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the application of the Company's accounting policies. The estimates, judgments and associated assumptions are based on management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- estimates of residual values, useful lives and depreciation methods of property and equipment (note 3.1.1 and note 4.1);
- estimates of useful life and amortisation method of intangible asset with finite useful life (note 3.1.3 and note 4.2);
- classification and valuation of financial assets (note 3.2.1.1);
- impairment of financial assets (note 3.2.1.4);
- impairment for doubtful debts and receivables (note 3.6);
- provision for taxation (note 3.3 and note 24);
- assessment of impairment on intangible assets with indefinite useful life (note 3.1.3.2, note 4.2.3 and note 4.2.4 above); and
- impairment of non-financial assets (note 3.4).

#### **2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments have been marked to market and are carried at their respective fair values and building has been stated at revalued amount.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

#### **3.1 FIXED ASSETS**

##### **3.1.1 Property and equipment**

Items of property and equipment, except for building, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Building is carried under the revaluation model at a revalued amount being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses, if any. Surplus arising on revaluation is credited to surplus on revaluation of building and is transferred to unappropriated profit to the extent of incremental depreciation charged net of related deferred tax. Such incremental depreciation is computed as a difference between depreciation based on the revalued carrying amount of the building and depreciation based on the building's original cost. Revaluation is made with sufficient regularity to ensure that the carrying amount does not materially differ from that which would be determined using fair value at the end of the reporting period.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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Subsequent costs are recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account as and when incurred.

Depreciation is charged at the rates specified in note 4.1 using the straight line method on all items of property and equipment other than building for which depreciation is charged using the reducing balance method. Depreciation begins when the asset is available for use and ceases on the date the asset is disposed off.

The residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted, if appropriate, to reflect the current best estimate.

Gains or losses on disposal of assets are included in the profit and loss account in the year in which disposal is made.

### **3.1.2 Capital work-in-progress**

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. Items included in Capital work in progress are stated at cost less accumulated impairment losses, if any. These are transferred to the relevant category of property and equipment as and when these become available for use.

### **3.1.3 Intangible assets**

Intangible assets acquired separately are initially recognised at cost. Intangible assets acquired in a business combination are recognised at fair values as at the acquisition date.

The useful lives of intangible assets are assessed as either finite or indefinite.

#### **3.1.3.1 Intangible asset with finite useful life**

After initial recognition, an intangible asset with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged at the rates specified in note 4.2 using the straight line method. Amortisation begins from the month the asset is available for use and ceases in the month of disposal. The amortisation period and amortisation method are reviewed at each financial year-end and are adjusted, if appropriate, to reflect the current best estimate.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

#### **3.1.3.2 Intangible assets with indefinite useful lives**

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

### **3.1.4 Goodwill**

Goodwill acquired in a business combination is recognised as of the acquisition date as the excess of consideration transferred being the acquisition date fair value of acquiree's equity interest over the net acquisition date amount of identifiable assets acquired and liabilities assumed. It represents future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised.

For the purpose of impairment testing, goodwill is allocated from the acquisition date to each of the entity's cash-generating units or group of cash-generating units that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**3.1.5 Management rights**

This intangible asset represents the present value of future cash flows relating to the management fee that would be earned by the Company assuming growth factors, based on the necessary market assumptions, on Assets Under Management (AUMs) of Arif Habib Investments Limited. This benefit also considers the fact that the economic life time of these AUMs are unlimited. Based on this assumption, this intangible asset has been valued using certain valuation techniques.

At the time of initial recognition, the fair value of management rights had been determined by the management using the Multiple-period Excess Earnings Method. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets (if any) employed have been deducted from the asset's after-tax operating earnings.

After initial recognition, management rights are stated at cost less accumulated impairment losses (if any). Impairment is tested at the operating segment level at the end of each reporting period.

**3.2 Financial instruments**

**3.2.1 Financial assets**

**3.2.1.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Company are categorised as follows:

**(a) Financial assets at fair value through profit or loss**

These are acquired principally for the purpose of generating profit from short-term fluctuations in prices.

**(b) Held-to-maturity investments**

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity.

**(c) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**(d) Available-for-sale financial assets**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

**3.2.1.2 Initial recognition and measurement**

Financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs associated with these financial assets are taken directly to the profit and loss account.

**3.2.1.3 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:

**a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'**

Financial assets at fair value through profit or loss' and 'available-for-sale financial assets' are marked to market using the closing market rates and are carried on the balance sheet at fair values.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Net gains and losses arising on changes in the fair value of 'financial assets carried at fair value through profit or loss' are taken to the profit and loss account.

Net gains and losses arising on changes in fair value of 'available-for-sale financial assets' are taken to other comprehensive income until these are derecognised. At this time, the cumulative gain or loss previously shown under other comprehensive income is transferred to profit and loss account as capital gain / (loss).

**b) 'Loans and receivables' and 'held-to-maturity investments'**

Loans and receivables and held-to-maturity investments are carried at amortised cost.

**3.2.1.4 Impairment**

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. When there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as follows:

**a) Assets carried at amortised cost**

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account.

**b) Available-for-sale financial assets**

Impairment loss in respect of investments classified as available for sale is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in the fair value of a listed equity investment below its cost is also considered an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / deficit on revaluation of securities on the statement of financial position is removed therefrom and recognised in the profit and loss account.

**3.2.2 Financial liabilities**

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

**3.2.3 Derecognition**

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

**3.2.4 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

**3.2.5 Provisions**

Provisions are recognised when the Company has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

**3.2.6 Derivatives**

Derivative instruments are initially recognised at fair value and are subsequently re-measured to their fair values with the resultant gain or loss recognised in the profit and loss account.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**3.3 Taxation**

**Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

**Deferred**

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of property and equipment which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard 12 (IAS 12), "Income Taxes". Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period.

**3.4 Impairment of non-financial assets**

The carrying amounts of the Company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss. If such an indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus arising on revaluation of that asset.

**3.5 Employee benefits - defined contributory plan**

The Company had been contributing to an approved funded provident fund for all its permanent employees until March 2013 after which the provident fund was wound up and contributions ceased.

Subsequently, from April 2013 the Company has been contributing to an approved Pension funds for all its permanent employees.

**3.6 Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice value less an estimate made for impairment against receivables which is determined based on management's review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off.

**3.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. These include cash and cheques in hand, balances with banks in current and savings accounts and short-term highly liquid investments that are readily convertible to known amounts of cash (i.e. in three month) and which are subject to an insignificant risk of changes in value.

**3.8 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of consideration to be paid in the future for goods and services whether or not billed to the Company.

**3.9 Revenue recognition**

**3.9.1 Management fee / investment advisory fee**

- Fixed remuneration for investment advisory and asset management services are recognised on an accrual basis. These are further disclosed in note 19 to the financial statements.
- Performance based remuneration for investment advisory services and management of discretionary portfolio are accrued once the terms of contract are honoured and the Company achieves the performance condition at the end of the period.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**3.9.2 Processing and other related income**

This is recognised once the services are provided to the unit holders in connection with their investments in open-end schemes managed by the Company.

**3.9.3 Profit on bank deposits and Investments**

Profit on bank deposits and on investments are recognised on an accrual basis. Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using the effective interest method.

**3.9.4 Capital gain on sale of investments - net**

Realised capital gains / (losses) arising on sale of investments are included in the profit & loss account on the date at which the transaction takes place.

**3.10 Basic and diluted earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, if any.

**3.11 Proposed dividends and transfers between reserves**

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

**3.12 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentational currency.

**3.13 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

**3.14 Commitments**

Commitments are disclosed in the financial statements at committed amounts. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the reporting date.

**3.15 Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses that relates to transactions with any of the other components of the Company.

The Board of Directors and Chief Executive Officer have been identified as the chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments. Currently, the Company is functioning as a single operating segment.

**3.15.1 Geographical Segment**

The operations of the Company are currently based only in Pakistan.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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4	FIXED ASSETS	Note	2015	2014
			----- Rupees -----	
	Property and equipment	4.1	86,981,586	96,943,764
	Intangible assets	4.2	282,851,799	287,802,575
			<u>369,833,385</u>	<u>384,746,339</u>

**4.1 Property and equipment**

Following is a statement of property and equipment:

Particulars	Computers	Building	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	Total
	----- Rupees -----						
<b>As at July 1, 2014</b>							
Cost / revaluation	29,871,094	84,494,665	13,064,852	15,602,037	2,725,000	7,662,267	153,419,915
Accumulated depreciation	(21,125,175)	(13,637,343)	(7,258,661)	(8,253,478)	(315,323)	(5,886,171)	(56,476,151)
Net book value	<u>8,745,919</u>	<u>70,857,322</u>	<u>5,806,191</u>	<u>7,348,559</u>	<u>2,409,677</u>	<u>1,776,096</u>	<u>96,943,764</u>
<b>Year ended June 30, 2015</b>							
Opening net book value	8,745,919	70,857,322	5,806,191	7,348,559	2,409,677	1,776,096	96,943,764
Additions during the year	2,459,355	-	734,780	329,574	-	-	3,523,709
Disposals / transfers							
Cost	(1,651,310)	-	(220,624)	(27,544)	-	-	(1,899,478)
Accumulated depreciation	1,546,612	-	193,734	8,952	-	-	1,749,298
	(104,698)	-	(26,890)	(18,592)	-	-	(150,180)
Depreciation for the year	(4,148,479)	(3,543,301)	(2,029,414)	(1,293,417)	(545,000)	(1,776,096)	(13,335,707)
<b>Closing net book value</b>	<u>6,952,097</u>	<u>67,314,021</u>	<u>4,484,667</u>	<u>6,366,124</u>	<u>1,864,677</u>	<u>-</u>	<u>86,981,586</u>
<b>As at June 30, 2015</b>							
Cost / revaluation	30,679,139	84,494,665	13,579,008	15,904,067	2,725,000	7,662,267	155,044,146
Accumulated depreciation	(23,727,042)	(17,180,644)	(9,094,341)	(9,537,943)	(860,323)	(7,662,267)	(68,062,560)
Net book value	<u>6,952,097</u>	<u>67,314,021</u>	<u>4,484,667</u>	<u>6,366,124</u>	<u>1,864,677</u>	<u>-</u>	<u>86,981,586</u>
<b>Depreciation rates (% per annum)</b>	25%	5%	20%	10%	20%	25%	
<b>As at July 1, 2013</b>							
Cost / revaluation	24,364,812	80,800,000	12,090,889	15,511,950	-	7,662,267	140,429,918
Accumulated depreciation	(17,095,059)	(10,005,115)	(5,661,852)	(6,703,194)	-	(4,111,134)	(43,576,354)
Net book value	<u>7,269,753</u>	<u>70,794,885</u>	<u>6,429,037</u>	<u>8,808,756</u>	<u>-</u>	<u>3,551,133</u>	<u>96,853,564</u>
<b>Year ended June 30, 2014</b>							
Opening net book value	7,269,753	70,794,885	6,429,037	8,808,756	-	3,551,133	96,853,564
Revaluation during the year	-	3,694,665	-	-	-	-	3,694,665
Additions during the year	5,829,048	-	1,670,143	120,207	2,725,000	-	10,344,398
Disposals / transfers							
Cost	(322,766)	-	(696,180)	(30,120)	-	-	(1,049,066)
Accumulated depreciation	187,160	-	577,020	-	-	-	764,180
	(135,606)	-	(119,160)	(30,120)	-	-	(284,886)
Depreciation for the year	(4,217,276)	(3,632,228)	(2,173,829)	(1,550,284)	(315,323)	(1,775,037)	(13,663,977)
<b>Closing net book value</b>	<u>8,745,919</u>	<u>70,857,322</u>	<u>5,806,191</u>	<u>7,348,559</u>	<u>2,409,677</u>	<u>1,776,096</u>	<u>96,943,764</u>
<b>As at June 30, 2014</b>							
Cost / revaluation	29,871,094	84,494,665	13,064,852	15,602,037	2,725,000	7,662,267	153,419,915
Accumulated depreciation	(21,125,175)	(13,637,343)	(7,258,661)	(8,253,478)	(315,323)	(5,886,171)	(56,476,151)
Net book value	<u>8,745,919</u>	<u>70,857,322</u>	<u>5,806,191</u>	<u>7,348,559</u>	<u>2,409,677</u>	<u>1,776,096</u>	<u>96,943,764</u>
<b>Depreciation rates (% per annum)</b>	25%	5%	20%	10%	20%	25%	

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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- 4.1.1** The office premises of the Company was originally revalued by an independent professional valuer on November 20, 2007. The revaluation was carried out by M/s Pee Dee and Associates on the basis of professional assessment of present market values and resulted in a surplus of Rs 1.623 million. The Company revalued its office premises using the same independent professional valuer as on October 1, 2010. The said revaluation was based on market values prevailing at that time and resulted in a further surplus of Rs 15.260 million. The office premises of the Company was again revalued on December 31, 2013 by an independent / professional valuer Sardar Enterprises on the basis of professional assessments of the market values. The revaluation resulted in a further surplus of Rs. 3.695 million.

Had there been no revaluation, the carrying amount of the said office premises as at June 30, 2015 would have been Rs. 50.617 million (June 30, 2014: Rs. 53.345 million).

- 4.1.2** Included in cost of property and equipment are fully depreciated items which are still in use aggregating to Rs 22.434 million (2014: Rs 15.525 million).

- 4.1.3** Particulars of operating assets having a net book value exceeding Rs 50,000 disposed of during the year are as follows:

Asset description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposals	Mode of disposals	Particulars of buyer
-----Rupees-----							
<b>Computers</b>							
	25,114	23,021	2,093	662	(1,431)	Quotation	AK Tech
	631,355	606,763	24,592	7,774	(16,818)	Quotation	AK Tech
	18,264	16,742	1,522	481	(1,041)	Quotation	AK Tech
	294,445	219,400	75,045	23,723	(51,322)	Quotation	AK Tech
	17,322	15,879	1,443	456	(987)	Quotation	AK Tech

**4.2 Intangible assets**

Following is a statement of intangible assets:

Particulars	Computer software	Goodwill	Management rights (note 3.1.5)	Total
-----Rupees-----				
<b>As at July 1, 2014</b>				
Cost	27,486,381	82,126,933	192,000,000	301,613,314
Accumulated amortisation	(13,810,739)	-	-	(13,810,739)
Net book value	13,675,642	82,126,933	192,000,000	287,802,575
<b>Year ended June 30, 2015</b>				
Opening net book value	13,675,642	82,126,933	192,000,000	287,802,575
Additions during the year	141,641	-	-	141,641
Disposals / transfers	-	-	-	-
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Amortisation for the year	(5,092,417)	-	-	(5,092,417)
<b>Closing net book value</b>	8,724,866	82,126,933	192,000,000	282,851,799
<b>As at June 30, 2015</b>				
Cost	27,628,022	82,126,933	192,000,000	301,754,955
Accumulated amortisation	(18,903,156)	-	-	(18,903,156)
Net book value	8,724,866	82,126,933	192,000,000	282,851,799
<b>Amortisation rates (% per annum)</b>	25%			
<b>As at July 1, 2013</b>				
Cost	14,985,755	82,126,933	192,000,000	289,112,688
Accumulated amortisation	(10,264,855)	-	-	(10,264,855)
Net book value	4,720,900	82,126,933	192,000,000	278,847,833

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Particulars	Computer software	Goodwill	Management rights (note 3.1.5)	Total
	----- Rupees -----			
<b>Year ended June 30, 2014</b>				
Opening net book value	4,720,900	82,126,933	192,000,000	278,847,833
Additions during the year	12,500,626	-		12,500,626
Disposals / transfers				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Amortisation for the year	(3,545,884)	-	-	(3,545,884)
<b>Closing net book value</b>	<b>13,675,642</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>287,802,575</b>
<b>As at June 30, 2014</b>				
Cost	27,486,381	82,126,933	192,000,000	301,613,314
Accumulated amortisation	(13,810,739)	-	-	(13,810,739)
Net book value	<b>13,675,642</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>287,802,575</b>
<b>Amortisation rates (% per annum)</b>	<b>25%</b>			

- 4.2.1** In accordance with the requirement of IFRS 3: 'Business combinations', an acquiree shall measure goodwill acquired in a business combination, subsequent to initial recognition at cost less accumulated impairment losses, if any. Goodwill acquired in a business combination and intangible assets having indefinite useful life shall not be amortised, instead, they shall be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, in accordance with International Accounting Standard (IAS) 36: 'Impairment of Assets'. In addition, goodwill acquired in a business combination and intangible assets having indefinite useful lives shall be allocated to each of the acquirer's cash-generating unit or group of cash-generating units if they can be attributed directly, or allocated on a reasonable and consistent basis.
- 4.2.2** Goodwill is monitored by the management at the operating segment level. During the year, the management has carried out impairment testing of the operating segment. Based on this exercise and as per the management's assessment no impairment has been identified. The carrying value of the cash-generating-unit includes the amounts as stated above.
- 4.2.3** The recoverable amount of the cash-generating unit ('CGU') is based on the fair value less cost to sell calculations. In assessing fair value less cost to sell, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. The management prepares a five year plan for its business unit. This five year plan has been used as the basis for fair value less cost to sell calculations. The management believes this to be a suitable time scale over which to review and consider annual performance before applying a fixed terminal value multiple to the final year cash flow of the detailed projections.

The following post-tax rates have been applied by the Company to the post-tax cash flows of the CGU:

- Discount rate	20.00%	21.00%
- Terminal growth rate	6.00%	5.00%

**4.2.4 Key assumptions used to determine the recoverable amounts**

The growth rates used to estimate future performance of the business unit are based on a market participant's perspective and also taking into account past performance. The calculation of fair value less cost to sell is most sensitive to the following assumptions:

**- Discount rate**

The discount rate for the CGU is the cost of equity.

**- Terminal growth rate used to extrapolate the cash flows beyond the budgeted period**

It is based on the growth rate of cash flows during the explicit forecast period.

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**- Growth rate of assets under management**

Growth forecast is based on management's best estimates and also takes into account past trends.

	Note	2015	2014
		----- Rupees -----	
<b>5 LONG-TERM INVESTMENTS</b>			
<b>Investments in units of mutual funds - related party</b>			
Available-for-sale investments	5.1	<u>433,477,071</u>	<u>356,922,294</u>

**5.1 Available-for-sale**

Name of the Investee fund	As at July 01, 2014	Purchases during the year	Bonus units issued during the year	Redemptions during the year*	As at June 30, 2015	As at June 30, 2015			As at June 30, 2014		
						Cost	Market value	Unrealised appreciation on re-measurement of investments	Cost	Market value	Unrealised appreciation on re-measurement of investments
						----- Rupees -----					
Pakistan Pension Fund	852,196	-	-	-	852,196	108,396,061	214,253,990	105,857,929	108,396,061	175,418,882	67,022,821
Pakistan Islamic Pension Fund	905,160	-	-	-	905,160	112,534,000	219,223,081	106,689,081	112,534,000	181,503,412	68,969,412
						<u>220,930,061</u>	<u>433,477,071</u>	<u>212,547,010</u>	<u>220,930,061</u>	<u>356,922,294</u>	<u>135,992,233</u>

	Note	2015	2014
		----- Rupees -----	
<b>5.1.1 Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'</b>			
Market value of investments		433,477,071	356,922,294
Less: Cost of investments		<u>(220,930,061)</u>	<u>(220,930,061)</u>
		212,547,010	135,992,233
Less: Net unrealised appreciation in fair value of investments at the beginning of the year		(135,992,233)	(78,213,000)
Add: Amount realised on redemption		<u>-</u>	<u>3,775,560</u>
		<u>76,554,777</u>	<u>61,554,793</u>

**6 LONG-TERM LOANS AND RECEIVABLES**

Loan to Chief Executive Officer		-	5,590
Loans to employees		<u>1,636,118</u>	<u>1,863,670</u>
	6.1	1,636,118	1,869,260
Less: Current portion of loans	8	<u>(409,915)</u>	<u>(464,337)</u>
		1,226,203	1,404,923
<b>Other receivables from related parties</b>			
Pakistan Strategic Allocation Fund		2,082,764	3,237,748
MCB Pakistan Stock Market Fund		<u>1,680,851</u>	<u>2,580,088</u>
	6.2	3,763,615	5,817,836
Less: Current portion		<u>(1,881,808)</u>	<u>(2,139,852)</u>
		<u>3,108,010</u>	<u>5,082,907</u>



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- 6.1** This includes interest-free loans given to employees for the purchase of motor vehicles. These loans are unsecured and are adjustable at the time of final settlement to the employees on leaving the Company. The maximum aggregate balance of loans to related parties outstanding at any time during the year was Rs 5.399 million (2014: Rs 5.676 million).
- 6.2** This includes expenses incurred in connection with the registration, establishment and offering for sale and distribution of the securities of the Funds borne by the Company. These receivables are reimbursable by the Funds in equal amounts, payable annually over a period of five years or period till maturity, whichever is earlier. The fair values of amounts receivable from related parties are based on discounted cash flows.

7	RECEIVABLE FROM RELATED PARTIES	Note	2015	2014
			----- Rupees -----	
	<b>Unsecured - considered good</b>			
	Pakistan Income Fund		7,922,105	5,989,318
	MCB Pakistan Stock Market Fund		44,790,097	20,091,989
	MCB Pakistan Sovereign Fund		24,883,820	5,752,361
	Pakistan Capital Market Fund		4,530,037	2,161,976
	Pakistan Strategic Allocation Fund		4,741,647	3,969,349
	Pakistan International Element Islamic Asset Allocation Fund		5,662,717	2,309,315
	Pakistan Pension Fund		5,004,530	2,216,016
	Pakistan Islamic Pension Fund		2,682,782	1,285,157
	Pakistan Cash Management Fund		11,687,857	9,372,032
	Pakistan Income Enhancement Fund		10,971,674	7,664,100
	MCB Islamic Income Fund		11,504,043	7,684,849
	MCB Pakistan Sarmaya Mehfooz Fund		8,420,263	-
	MCB Pakistan Asset allocation Fund		32,128,969	6,258,081
	MCB Cash Management Optimizer		49,646,430	37,060,909
	MCB DCF Income Fund		126,127,195	58,244,769
		7.1	350,704,166	170,060,221
	Receivable from MCB Bank Limited in lieu of branch sharing expenses		206,162	206,162
	Receivable in lieu of sale of software to Adamjee Insurance Company Limited		-	2,000,000
	Advisory fee receivable on account of discretionary portfolio management		6,839,432	9,135,094
			<u>357,749,760</u>	<u>181,401,477</u>
<b>7.1</b>	The above amounts represent receivable on account of management fee, sales tax on management fee, federal excise duty, sales load, current portion of long-term receivables and other expenses paid on behalf of the related parties. This includes Federal Excise Duty amounting to Rs 253.94 million (2014: Rs 109.70 million) which has been accrued by the Company and is receivable from the funds under its management. The matter is further explained in note 18.2 to the financial statements.			

8	LOANS AND ADVANCES	Note	2015	2014
			----- Rupees -----	
	<b>Considered good - unsecured</b>			
	Current portion of loans to employees		409,915	464,337
	Advances to employees		91,385	27,734
	Advances to suppliers and contractors		1,779,486	164,135
			<u>2,280,786</u>	<u>656,206</u>

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9	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2015	2014
			----- Rupees -----	
	Deposits		304,698	304,698
	<b>Prepayments</b>			
	Registration fee		742,028	1,470,848
	Insurance		1,997,286	2,198,957
	Others		1,473,044	1,290,710
			4,212,358	4,960,515
	<b>Other receivables</b>			
	Advisory fee receivable on account of Discretionary Portfolio management		19,767,541	3,818,806
	Others		63,274	132,671
			19,830,815	3,951,477
			24,347,871	9,216,690
			<u>24,347,871</u>	<u>9,216,690</u>
10	ACCRUED MARKUP			
	Markup receivable from government securities		7,848,811	4,317,100
	Markup receivable on bank deposits		131,524	-
			7,980,335	4,317,100
			<u>7,980,335</u>	<u>4,317,100</u>
11	SHORT-TERM INVESTMENTS			
	At fair value through profit or loss	11.1	38,025,601	515,915,923
	Available-for-sale investments	11.2	715,564,171	84,644,853
			753,589,772	600,560,776
			<u>753,589,772</u>	<u>600,560,776</u>

**11.1 At fair value through profit or loss**

Name of the Investee Fund	As at July 01, 2014	Purchases during the year	Bonus units issued during the year	Redemptions during the year	As at June 30, 2015	As at June 30, 2015			As at June 30, 2014		
						Carrying value	Market value	Unrealised appreciation on re-measurement of investments	Carrying value	Market value	Unrealised appreciation on re-measurement of investments
						Rupees			Rupees		
MCB Cash Management Optimizer	-	3,056,260	-	2,676,380	379,880	38,000,000	38,025,601	25,601	-	-	-
MCB DCF Income Fund	2,584,797	65,088	-	2,649,885	-	-	-	-	239,621,793	261,330,685	21,708,892
MCB Pakistan Asset Allocation Fund	2,364,412	1,228,992	-	3,593,404	-	-	-	-	153,624,292	169,933,421	16,309,129
MCB Pakistan Sovereign Fund	1,569,142	6,806,825	-	8,375,967	-	-	-	-	77,000,000	78,519,864	1,519,864
MCB Pakistan Stock Market Fund	98,018	-	-	98,018	-	-	-	-	6,000,000	6,131,953	131,953
						<u>38,000,000</u>	<u>38,025,601</u>	<u>25,601</u>	<u>476,246,085</u>	<u>515,915,923</u>	<u>39,669,838</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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11.2 Available-for-sale investments	Note	2015	2014
		----- Rupees -----	
<b>Units of Mutual Funds</b>	11.3	82,250,918	-
<b>Investments in Government Securities</b>			
Pakistan Investment Bonds	11.4	162,005,253	84,644,853
Market Treasury Bills	11.5	471,308,000	-
		<u>715,564,171</u>	<u>84,644,853</u>

**11.3 Units of Mutual Funds**

Name of the Investee Fund	As at July 01, 2014	Purchases during the year	Bonus units issued during the year	Redemptions during the year	As at June 30, 2015	As at June 30, 2015			As at June 30, 2014		
						Carrying value	Market value	Unrealised appreciation on re-measurement of investments	Carrying value	Market value	Unrealised appreciation on re-measurement of investments
Number of units					Rupees						
MCB Pakistan Stock Market Fund	-	989,481	-	1,245	988,236	73,231,442	82,250,918	9,019,476	-	-	-
						73,231,442	82,250,918	9,019,476	-	-	-

**11.4 Pakistan Investment Bonds**

Particulars	Face Value				As at June 30, 2015			As at June 30, 2014		
	As at July 01, 2014	Purchased during the year	Disposed during the year	As at June 30, 2015	Carrying Value	Market value	Unrealised appreciation/ (diminution) on re-measurement of investments	Carrying Value	Market value	Unrealised appreciation/ (diminution) on re-measurement of investments
	Number of units									
GOP- PIB- 19 July 2012 to 19 July 2022	-	537,500,000	487,500,000	50,000,000	55,786,400	55,898,400	112,000	-	-	-
GOP- PIB- 18-July-2013 to 18-July-2016	85,800,000	1,167,400,000	1,151,400,000	101,800,000	103,475,324	106,106,853	2,631,529	84,723,487	84,644,853	(78,634)
					<u>159,261,724</u>	<u>162,005,253</u>	<u>2,743,529</u>	<u>84,723,487</u>	<u>84,644,853</u>	<u>(78,634)</u>

**11.4.1** These Pakistan Investment Bonds have a cost of Rs.159,248,884 (June 30, 2014: 84,585,395) and carry interest at the rate of 12% (June 30, 2014 : 11.25%) per annum.

**11.5 Treasury Bills**

Particulars	Face Value				As at June 30, 2015			As at June 30, 2014		
	As at July 01, 2014	Purchased during the year	Disposed during the year	As at June 30, 2015	Carrying Value	Market value	Unrealised appreciation/ (diminution) on re-measurement of investments	Carrying Value	Market value	Unrealised appreciation/ (diminution) on re-measurement of investments
	Number of units									
GOP M. T-Bills - 3 months- 28-May-15 - 20-Aug-15	-	463,500,000	88,500,000	375,000,000	371,522,332	371,460,000	(62,332)	-	-	-
GOP M. T-Bills - 6 months - 08-Jan-15 - 09-Jul-15	-	150,000,000	50,000,000	100,000,000	99,852,581	99,848,000	(4,581)	-	-	-
					<u>471,374,913</u>	<u>471,308,000</u>	<u>(66,913)</u>	<u>-</u>	<u>-</u>	<u>-</u>

**11.5.1** Market treasury bills carry effective interest rates ranging from 6.94% to 6.96% (June 30, 2014 : Nil).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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	2015	2014
	----- Rupees -----	
<b>12 TAXATION - NET</b>		
Advance tax	104,760,778	49,092,191
Income tax refundable	53,182,077	56,938,463
	<u>157,942,855</u>	<u>106,030,654</u>
Provision for taxation	(108,275,625)	(53,266,038)
	<u>49,667,230</u>	<u>52,764,616</u>

- 12.1** This includes assessed refunds for the tax years 2008, 2009, 2010 and 2011. The income tax returns upto June 30, 2014 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

	Note	2015	2014
		----- Rupees -----	
<b>13 CASH AND BANK BALANCES</b>			
Balances with bank in			
- savings accounts	13.1	11,607,068	8,761,774
- current accounts	13.2	4,280,306	1,767,586
		<u>15,887,374</u>	<u>10,529,360</u>
Cash in hand		25,000	25,000
		<u>15,912,374</u>	<u>10,554,360</u>

- 13.1** These include balances in accounts maintained with Summit Bank Limited and MCB Bank Limited (related parties) amounting to Rs 2.999 million and Rs 8.608 million respectively (2014: Rs 2.838 million and Rs 5.924 million respectively) and carry mark-up at the rate of 8% and 6% (2014: 7.75% and 9%) per annum respectively.

- 13.2** These include balances in accounts maintained with Summit Bank Limited and MCB Bank Limited (related parties) amounting to Rs 0.179 million and Rs 2.001 million respectively (2014: Rs 0.179 million and Rs 1.601 million respectively).

**14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

2015	2014		2015	2014
Number of shares			----- Rupees -----	
		Ordinary shares of Rs 10 each		
5,000,000	5,000,000	- Fully paid in cash	50,000,000	50,000,000
31,000,000	31,000,000	- Issued as fully paid bonus shares	310,000,000	310,000,000
36,000,000	36,000,000	- Shares issued for consideration other than cash (note 14.1)	360,000,000	360,000,000
<u>72,000,000</u>	<u>72,000,000</u>		<u>720,000,000</u>	<u>720,000,000</u>

	2015	2014
	--- Number of shares ---	
<b>14.1 Shares held by the related parties of the Company</b>		
<b>Particulars of the shareholders</b>		
MCB Bank Limited	36,956,768	36,956,768
Arif Habib Corporation Limited	21,664,167	21,664,167
Adamjee Insurance Company Limited	1,142,340	3,396,340
Arif Habib Limited	-	3,502,477
Directors, spouses and their minor children	32,026	111,526
Executives	435,121	185,121
Others	1,200	1,200

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	Note	2015 ----- Rupees -----	2014 ----- Rupees -----
<b>15 RESERVE ARISING ON AMALGAMATION</b>			
Deficit arising on amalgamation	15.1	60,000,000	60,000,000
<b>15.1</b>	In accordance with the scheme of amalgamation of MCB AMC and AHIL, the entire undertaking of MCB AMC including all properties, assets, liabilities, receivables, payables and all other rights and obligations were transferred into and vested in the Company as on the effective date. As part of the Scheme, the Company issued and allotted 36 million ordinary shares of Rs 10 each, as fully paid shares, to the registered ordinary shareholders of MCB AMC in the ratio of 1.2 ordinary shares of the Company for each share of Rs 10 of MCB AMC as consideration. Deficit arising on amalgamation represents difference in share capital of AHIL and MCB AMC at the time of merger.		
	Note	2015 ----- Rupees -----	2014 ----- Rupees -----
<b>16 SURPLUS ARISING ON REVALUATION OF PROPERTY - NET OF DEFERRED TAX</b>			
Surplus on revaluation of building as at the beginning of the year		17,505,206	14,635,019
Surplus on revaluation during the year		-	3,694,665
Transferred to unappropriated profit in respect of:			
Incremental depreciation charged during the year - net of deferred tax		(569,153)	(552,400)
Related deferred tax liability		(238,656)	(272,078)
		(807,809)	(824,478)
Surplus on revaluation of building as at the end of the year		16,697,397	17,505,206
Less: Related deferred tax liability			
Opening balance		5,755,030	4,807,869
Surplus on revaluation during the year		-	1,219,239
Incremental depreciation charged during the year transferred to unappropriated profit		(238,656)	(272,078)
		5,516,374	5,755,030
		11,181,023	11,750,176
<b>17 DEFERRED TAXATION</b>			
<b>Deferred tax liabilities arising on taxable temporary differences</b>			
- Deferred tax on revaluation of property		5,516,374	5,755,030
- Property and equipment		10,520,901	11,916,934
- Intangible assets		36,860,962	30,259,846
- Unrealised gain on available for sale investments		952,202	-
	17.1	53,850,439	47,931,810
<b>17.1 Reconciliation of deferred tax liability</b>			
Deferred tax liability as at July 1		47,931,810	41,090,231
Deferred tax liability on surplus on revaluation during the year		-	1,219,239
Charged during the year		5,918,629	5,622,340
Deferred tax liability as at June 30		53,850,439	47,931,810

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	Note	2015	2014
		----- Rupees -----	
<b>18 TRADE AND OTHER PAYABLES</b>			
Accrued expenses	18.1	115,202,564	65,572,749
Withholding tax payable		549,648	115,218
Indirect taxes and duties payable	18.2	262,903,048	108,366,838
Payable to facilitators / distributors		79,330,469	29,804,252
Unclaimed dividend		2,105,842	1,762,196
Others		350,709	334,932
		<u>460,442,280</u>	<u>205,956,185</u>

**18.1 Worker's welfare fund**

The Company was liable to contribute to Worker's Welfare Fund (WWF) in accordance with the amendments introduced in Finance Act, 2008. The Company has filed a constitutional petition (CP No.1391/2014) dated March 20, 2014 with the Honourable High Court of Sindh to challenge the applicability of Worker's Welfare Fund on the management Company. The Honourable High Court of Sindh has passed the restraining order for not taking any coercive action to the extent of WWF. The matter is still subjudice to Court. However, the Company as a matter of abundant caution has decided to retain the provision for WWF amounting to Rs 22.47 million as at June 30, 2015 (2014: Rs 14.46 million).

**18.2 Federal excise duty payable on remuneration of management company**

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of law.

The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the SHC on September 4, 2013 challenging the levy of FED. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending.

Pending decision of the SHC, the Funds have stopped making payments for FED to their respective management companies. However, full provision in respect of FED effective June 13, 2013 is being made in the financial statements of the respective funds.

**19 CONTINGENCIES AND COMMITMENTS**

- 19.1** The Punjab Revenue Authority issued Show Cause Notice No.PRA/AM.70/14/18 Dated June 20, 2014 to MCB- Arif Habib Savings and Investment Limited requiring the Company to pay Sales Tax under the Punjab Sales Tax on Services Act, 2012 with effect from May 22, 2013 on management fee earned in Punjab.

The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a petition on July 8, 2014 in the SHC challenging the above notice. The SHC has ordered suspension of the show cause notice till the next hearing of appeal in its Order dated July 10, 2014. The management is expecting no outflow of economic resources as the payment relating to sales tax is already made to Sindh Revenue Board and in case the decision is made against the Company the same is required to be settled between the two authorities.

- 19.2** The Company has launched a capital protected fund namely "Pakistan Sarmaya Mehfooz Fund" on December 19, 2014. In accordance with the terms of the agreement, the Company has guaranteed the Gap Risk through a Guarantee Agreement signed between Trustee of the Fund and the Company. According to the agreement, the Company is liable to provide Gap Risk coverage of the initial fund size (adjusted for redemptions, if any, during the life of the Fund, and inclusive of any front-end load) upto a maximum of 5% of the total subscription amount. In compliance with the above mentioned requirement, the Company has pledged Pakistan Investment Bonds with a face value of Rs 35 million and having maturity of July 18, 2016 with the Trustee as at June 30, 2015.

- 19.3** The income tax affairs of the Company for the tax year 2009 were selected for audit under section 177 of the Income Tax Ordinance, 2001 by the Commissioner Inland Revenue vide intimation letter No.CIR/Z-3/LTU/T.Y 2009/392 dated November 08, 2013. The Taxation Officer passed an order under section 122(1)(5) of the Income Tax Ordinance, 2001 dated June 29, 2015 and made certain additions in profit & loss account. The Company has filed an appeal before the CIR Appeals against the above order. The Management and the tax advisors of the Company are confident that good grounds exist to contest these disallowance at the appellate forums and these additions cannot be maintainable and eventually outcome will come in favor of the Company. Hence no provision has been made in the financial statements. The potential provision which may arise in this respect will be Rs 7.72 million.

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	Note	2015 ----- Rupees -----	2014
<b>20 MANAGEMENT FEE / INVESTMENT ADVISORY FEE</b>			
<b>Open-end Collective Investment Schemes - related parties</b>			
Pakistan Income Fund		21,178,409	20,378,038
MCB Pakistan Stock Market Fund		125,840,037	43,729,415
MCB Pakistan Sovereign Fund		90,010,662	16,278,275
Pakistan Premier Fund	1.4.3	-	14,643,955
Pakistan Capital Market Fund		12,367,107	9,635,251
Pakistan Strategic Allocation Fund		9,882,887	9,348,047
Pakistan International Element Islamic Asset Allocation Fund		13,220,187	7,101,117
Pakistan Cash Management Fund		30,607,886	42,919,163
Pakistan Income Enhancement Fund		31,665,713	23,328,617
MCB DCF Income Fund		256,652,938	219,789,779
MCB Dynamic Stock Fund	1.4.3	-	22,455,829
MCB Pakistan Asset allocation Fund		37,248,458	17,239,208
MCB Cash Management Optimizer		140,834,162	174,040,585
MCB Islamic Income Fund		19,176,162	32,258,528
MCB Pakistan Sarmaya Mehfooz Fund		5,037,640	-
		793,722,248	653,145,807
<b>Pension schemes - related parties</b>			
Pakistan Pension Fund		14,122,392	9,588,244
Pakistan Islamic Pension Fund		7,402,649	5,168,879
		21,525,041	14,757,123
	20.1	815,247,289	667,902,930
Investment advisory fee from discretionary portfolio management	20.2	38,638,108	19,249,134
		853,885,397	687,152,064
Less: Indirect taxes and duties on management fee			
Sindh sales tax	20.3	(111,376,356)	(94,779,595)
Federal excise duty	20.3	(102,415,040)	(81,706,547)
		640,094,001	510,665,922
<b>20.1</b>	Management fee from open-end Collective Investment Schemes is calculated by charging the specified rates to the net asset value / income of such schemes as at the close of business of each calendar day. In accordance with Regulation 61 of the NBFC Regulations, 2008, the fee so charged does not exceed three percent of the average annual net assets of the Collective Investment Scheme during the first five years of existence of the scheme and, thereafter, of an amount equal to two percent of such assets. In accordance with Rule 11 of the Voluntary Pension System Rules, 2005 management fee from pension funds is charged at the rate of 1.5% of the average of values of the net assets of the pension fund calculated during the year for determining the prices of the units of the sub-funds.		
<b>20.2</b>	The Company is managing investments under discretionary portfolio management agreement. Investment advisory fee from the discretionary portfolios is calculated on a daily / monthly basis by charging specified rates to the net asset value of the portfolios as stated in the respective agreements with the clients. The details of this portfolio are as under:		
		<b>June 30, 2015</b>	<b>June 30, 2014</b>
Number of clients		40	28
Total portfolio at cost (Rs in millions)		12,553	6,560
Total portfolio at market value (Rs in millions)		13,062	6,598
Fee earned (Rs in millions)		29	14
<b>20.3</b>	These pertain to Sindh Sales Tax levied with effect from July 01, 2011 by the Provincial Government of Sindh at the rate of 15% through the Sindh Sales Tax on Services Act, 2011 and Federal Excise Duty (FED) levied at the rate of 16% with effect from June 13, 2013 on remuneration of the Management Company (note 18.1).		



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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Specified rates of management fee and investment advisory fee are as follows:

<b>Open-end Collective Investment Schemes</b>	<b>2015</b>	<b>2014</b>
	<b>Percentage per annum</b>	
Pakistan Income Fund	1.5*	1.5
MCB Pakistan Stock Market Fund	2*	2
MCB Pakistan Sovereign Fund	10 / 1.5 / 0.5**	10 / 1.5 / 0.5
Pakistan Capital Market Fund	2*	2
Pakistan Cash Management Fund	10 / 0.25 / 2***	10 / 0.25 / 2
Pakistan Income Enhancement Fund	1.5*	1.5
Pakistan International Element Islamic Asset Allocation Fund (PIEIAAF)		
PIEIAAF – A	2*	2
PIEIAAF – B	2*	2
PIEIAAF – C	1.33*	1.33
PIEIAAF – D	1.33*	1.33
PIEIAAF – E	1*	1
Pakistan Strategic Allocation Fund	2*	2
MCB Islamic Income Fund	10 / 0.25	10 / 0.25
MCB Pakistan Asset allocation Fund	2*	2
MCB Cash Management Optimizer	10 / 0.25 / 2***	10 / 0.25 / 3
MCB DCF Income Fund	1.5*	1.5
Pakistan Sarmaya Mehfooz Fund	1*	-
<b>Pension Funds</b>		
Pakistan Pension Fund	1.5*	1.5
Pakistan Islamic Pension Fund	1.5*	1.5
<b>Discretionary portfolios</b>	0.0-1.5*	0.0-1.5

\* These are computed on the basis of net asset values of the respective funds.

\*\* These are computed on the basis of lower of operating revenues or a percentage of net asset values subject to a maximum limit of the 0.5% of net asset values.

\*\*\* These are computed on the basis of lower of operating revenues or a percentage of net asset values subject to a maximum limit of the 2% of net asset values.

	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>21 ADMINISTRATIVE AND OPERATING EXPENSES</b>		<b>----- Rupees -----</b>	
Salaries, allowances and other benefits	21.1	167,269,487	175,011,718
Legal and professional charges		14,921,052	15,281,623
Travelling and conveyance charges		2,984,627	2,780,146
Repairs and maintenance		27,257,859	30,459,067
Office supplies		537,543	539,975
Auditors' remuneration	21.2	1,725,000	1,690,000
Directors' meeting fee		775,000	1,125,000
Insurance		1,772,998	1,364,192
Depreciation	4.1	13,335,707	13,663,977
Amortisation	4.2	5,092,417	3,545,884
Stamp duty and taxes		225,863	1,742,222
Printing and stationery		3,952,445	4,758,901
Utilities		5,209,221	6,999,121
Telephone expenses		3,886,118	3,633,360
Entertainment expenses		2,109,443	2,514,058
Books, periodicals and subscription		7,334,765	8,272,564
Registrar fee		811,493	715,451
Miscellaneous expenses		315,288	28,500
		<u>259,516,326</u>	<u>274,125,759</u>

21.1 This amount includes contributions to pension fund amounting to Rs 3.279 million (2014: Rs 4.82 million).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	----- Rupees -----	
<b>21.2 Auditors' remuneration</b>		
Audit fee	1,350,000	1,300,000
Half yearly review fee	250,000	250,000
Review of compliance with the best practices of the Code of Corporate Governance	75,000	75,000
Other certifications	-	20,000
Out of pocket expenses	50,000	45,000
	<u>1,725,000</u>	<u>1,690,000</u>
<b>22 OTHER OPERATING EXPENSES</b>		
Worker's welfare fund	<u>8,013,012</u>	<u>4,892,201</u>
<b>23 FINANCIAL CHARGES</b>		
Mark up on running finance	5,270,143	-
Bank charges	861,881	234,388
	<u>6,132,024</u>	<u>234,388</u>

**23.1** During the year ended June 30, 2015, the Company utilised a short term finance facility under mark-up arrangement with MCB Bank Limited (a related party) amounting to Rs. 500 million (2014: Nil). The facility carried mark-up at one month KIBOR+0.5% (2014: Nil) per annum. The facility was secured against pledge of government securities. The facility will expire on May 31, 2016.

	Note	2015	2014
		----- Rupees -----	
<b>24 TAXATION</b>			
Current		108,275,625	53,266,038
Prior		(420,543)	(2,418,418)
Deferred	17.1	<u>5,918,629</u>	<u>5,622,340</u>
		<u>113,773,711</u>	<u>56,469,960</u>
<b>24.1 Relationship between income tax expense and accounting profit:</b>			
Accounting profit before tax		<u>392,637,061</u>	<u>239,111,012</u>
Tax on accounting profit at 33% (2014: 34%)		129,570,230	81,297,744
Effect of:			
Change in rate		2,904,958	(3,363,845)
Inadmissible expenses		(1,278,973)	1,949,672
Exempt income and income chargeable to tax at reduced rates		(19,779,665)	(8,454,773)
Income not chargeable to income tax		(236,142)	(13,933,193)
Prior year adjustments		(420,543)	(2,418,418)
Others		3,013,846	1,392,773
		<u>113,773,711</u>	<u>56,469,960</u>

**25 EARNINGS PER SHARE**

**25.1 Basic**

Earnings per share has been computed by dividing profit after taxation for the year by the weighted average number of shares outstanding during the year as follows:

	2015	2014
	----- Rupees -----	
Profit for the year after taxation	<u>278,863,350</u>	<u>182,641,052</u>
	----- Number of shares -----	
Weighted average number of ordinary shares outstanding during the year	<u>72,000,000</u>	<u>72,000,000</u>
	----- Rupees -----	
Basic earnings per share	<u>3.87</u>	<u>2.54</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**25.2 Diluted**

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2015 and 2014 which would have any effect on the earnings per share if the option to convert is exercised.

26 CASH AND CASH EQUIVALENTS	2015 ----- Rupees -----	2014 ----- Rupees -----
Cash and bank balances	15,912,374	10,554,360
Market treasury bills (with original maturity upto 3 months)	371,460,000	-
	<u>387,372,374</u>	<u>10,554,360</u>

**27 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the financial statements for the remuneration including all benefits to the Chief Executive Officer, Directors and Executives of the Company was as follows:

Particulars	Year ended June 30, 2015			Year ended June 30, 2014		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	----- Rupees -----					
Managerial remuneration	7,272,727	-	31,427,704	7,272,732	12,109,200	27,121,479
Bonus	5,000,000	-	25,133,078	3,000,000	-	14,022,633
Retirement benefits	606,780	-	2,408,155	610,620	1,215,720	2,320,801
Rent and house maintenance	3,272,727	-	12,534,853	3,808,341	5,449,140	13,041,590
Utilities	727,273	-	2,785,523	727,272	1,210,920	2,669,960
Medical	727,273	-	2,785,523	727,272	1,210,740	2,648,063
Meeting fee	-	775,000	-	-	1,125,000	-
Others	2,907,640	-	10,382,924	2,532,132	3,695,232	9,343,239
	<u>20,514,420</u>	<u>775,000</u>	<u>87,457,760</u>	<u>18,678,369</u>	<u>26,015,952</u>	<u>71,167,765</u>
Number of persons	<u>1</u>	<u>7</u>	<u>35</u>	<u>1</u>	<u>7</u>	<u>23</u>

**28 OPERATING SEGMENTS**

The Company functions as a single operating segment, investment management. Income derived from the management fee of open-end collective investment schemes and pension funds and that derived from the management of discretionary portfolios account for 95.47% and 4.53% (2014: 97.20% and 2.80%) respectively of the total income earned during the year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**29 FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	As at June 30, 2015			Total
	Loans and receivables	Available for sale	At fair value through profit or loss	
-----Rupees-----				
<b>Assets</b>				
<b>Non-current assets</b>				
Long-term investments	-	433,477,071	-	433,477,071
Long-term loans and receivables	3,108,010	-	-	3,108,010
Long-term deposits	1,384,984	-	-	1,384,984
	4,492,994	433,477,071	-	437,970,065
<b>Current assets</b>				
Receivable from related parties	357,749,760	-	-	357,749,760
Loans and advances	409,915	-	-	409,915
Deposits and other receivables	20,135,513	-	-	20,135,513
Accrued markup	7,980,335	-	-	7,980,335
Short-term investments	-	715,564,171	38,025,601	753,589,772
Cash and bank balances	15,912,374	-	-	15,912,374
	402,187,897	715,564,171	38,025,601	1,155,777,669
	406,680,891	1,149,041,242	38,025,601	1,593,747,734
-----Rupees-----				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		174,512,471	-	174,512,471

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Particulars	As at June 30, 2014			Total
	Loans and receivables	Available for sale	At fair value through profit or loss	
-----Rupees-----				
<b>Assets</b>				
<b>Non-current assets</b>				
Long-term investments	-	356,922,294	-	356,922,294
Long-term loans and receivables	5,082,907	-	-	5,082,907
Long-term deposits	1,511,236	-	-	1,511,236
	6,594,143	356,922,294	-	363,516,437
<b>Current assets</b>				
Receivable from related parties	181,401,477	-	-	181,401,477
Loans and advances	464,337	-	-	464,337
Deposits and other receivables	4,256,175	-	-	4,256,175
Accrued markup	4,317,100	-	-	4,317,100
Short-term investments	-	84,644,853	515,915,923	600,560,776
Cash and bank balances	10,554,360	-	-	10,554,360
	200,993,449	84,644,853	515,915,923	801,554,225
	207,587,592	441,567,147	515,915,923	1,165,070,662
-----Rupees-----				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		83,010,028	-	83,010,028

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**30.1 Financial risk factors**

The Company's activities expose it to certain financial risks which the management monitors and manages through internal risk management on an ongoing basis. In connection with the Company's financing of operations, the finance function ensures adequate and flexible liquidity. This is guaranteed by placing deposits in cash and extremely liquid negotiable instruments and/or using binding credit facilities.

Financial risks pertain to market risk, credit risk and liquidity risk. The Company seeks to minimise the effects of these risks by managing financial assets and liabilities to minimise the risk exposures. Compliance with policies and exposure limits are reviewed by the internal auditor on a continuous basis.

**30.2 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices (e.g. foreign exchange rates, interest rates, equity prices, etc.). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns to shareholders.

The Company's policy is to manage market risk through diversification and selection of securities within specified limits set by the Board of Directors.

Market risk comprises of three types of risk: currency risk, yield/interest rate risk and other price risk.

**30.2.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Presently, the Company is not exposed to currency risk as all transactions are carried out in Pak Rupees.

**30.2.2 Interest rate risk**

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## a) Sensitivity analysis for variable rate instruments.

Presently, the Company does not hold any variable rate financial instrument.

## b) Sensitivity analysis of fixed rate instruments

Fixed rate instruments comprise of balances with banks in savings accounts. The income from these financial assets are substantially independent of changes in market interest rates except for changes, if any, as a result of fluctuation in respective fair values.

The Company's exposure to interest rate risk is as follows:

-----As at June 30, 2015-----														
Particulars	Effective rate of interest / mark-up	Interest / mark-up bearing						Non-interest / mark up bearing						Total
		Maturity up to one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity after one year	Sub-total	Maturity up to one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity after one year	Sub-total	
-----Rupees-----														
On balance sheet financial instruments														
Financial assets														
Investments	6.94% - 12%	99,848,000	371,460,000	-	-	162,005,253.00	633,313,253	-	-	-	120,276,519	433,477,071	553,753,590	1,187,066,843
Loans and advances		-	-	-	-	-	-	-	-	-	409,915	-	409,915	409,915
Long-term deposits		-	-	-	-	-	-	-	-	-	-	1,384,984	1,384,984	1,384,984
Receivable from related parties		-	-	-	-	-	-	-	-	-	357,749,760	-	357,749,760	357,749,760
Deposits and other receivables		-	-	-	-	-	-	-	-	-	20,135,513	-	20,135,513	20,135,513
Accrued markup		-	-	-	-	-	-	131,524	-	7,848,811	-	-	7,980,335	7,980,335
Cash and bank balances	5.5% - 6.25%	-	-	-	11,607,068	-	11,607,068	-	-	-	4,305,306	-	4,305,306	15,912,374
		99,848,000	371,460,000	-	11,607,068	162,005,253	644,920,321	131,524	-	7,848,811	502,877,013	434,862,055	945,719,403	1,590,639,724
Financial liabilities														
Trade and other payables		-	-	-	-	-	-	-	-	-	174,512,471	-	174,512,471	174,512,471
On balance sheet gap *		99,848,000	371,460,000	-	11,607,068	162,005,253	644,920,321	131,524	-	7,848,811	328,364,542	434,862,055	771,206,932	1,416,127,253

-----As at June 30, 2014-----														
Particulars	Effective rate of interest / mark-up	Interest / mark-up bearing						Non-interest / mark up bearing						Total
		Maturity up to one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity after one year	Sub-total	Maturity up to one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity after one year	Sub-total	
-----Rupees-----														
On balance sheet financial instruments														
Financial assets														
Investments	11.25%	-	-	-	-	84,644,853	84,644,853	-	-	-	515,915,923	356,922,294	872,838,217	957,483,070
Loans and advances		-	-	-	-	-	-	-	-	-	464,337	-	464,337	464,337
Long-term deposits		-	-	-	-	-	-	-	-	-	-	1,511,236	1,511,236	1,511,236
Receivable from related parties		-	-	-	-	-	-	-	-	-	181,401,477	-	181,401,477	181,401,477
Deposits and other receivables		-	-	-	-	-	-	-	-	-	8,573,275	-	8,573,275	8,573,275
Accrued markup		-	-	-	-	-	-	-	-	4,317,100	-	-	4,317,100	4,317,100
Cash and bank balances	7.75% to 9%	-	-	-	8,761,774	-	8,761,774	-	-	-	1,792,586	-	1,792,586	10,554,360
		-	-	-	8,761,774	84,644,853	93,406,627	-	-	4,317,100	708,147,598	358,433,530	1,070,898,228	1,164,304,855
Financial liabilities														
Trade and other payables		-	-	-	-	-	-	-	-	-	81,247,832	-	81,247,832	81,247,832
On balance sheet gap *		-	-	-	8,761,774	84,644,853	93,406,627	-	-	4,317,100	626,899,766	358,433,530	989,650,396	1,083,057,023

\* The on balance sheet gap represents the net amounts of on-balance sheet items.

## 30.2.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to price risk because of investments held by the Company in units of open-end collective investment schemes and pension funds managed by the Company itself. The investments are marked to market based on the net assets value which are declared for each fund on a daily basis. Senior management of the Company reviews these investments on a regular basis. Furthermore, the Board of Directors of the Company also reviews and approves all significant investment decisions.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

In case of 1% increase/decrease in the net asset values of the investment value subject to price risk, the profit for the year after taxation of the Company would be higher/lower by Rs 0.380 million (2014: Rs 5.5159 million), other comprehensive income for the year would be higher/lower by Rs 5.157 million (2014: Rs 3.569 million) and total comprehensive income for the year would be higher/lower by Rs 5.537 million (2014: Rs 8.728 million).

### 30.3 Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the other party to incur a financial loss. The entire financial assets are subject to the credit risk. The management believes that the Company's credit risk is minimal as major portion of financial assets comprise of investments in or receivables from its Funds under Management which are financially sound.

The Company's financial assets are neither past due nor impaired as at the reporting date.

The maximum exposure to credit risk before any credit enhancements at June 30, 2015 is the carrying amount of the financial assets as set out below:

Financial assets	2015	2014
	----- Rupees -----	
Investments	553,753,590	872,838,217
Long term deposits	1,384,984	1,511,236
Long-term loans and receivables	3,108,010	5,082,907
Receivable from related parties	357,749,760	181,401,477
Loans and advances	409,915	464,337
Other receivables	19,830,815	3,951,477
Accrued markup	7,980,335	4,317,100
Cash and bank balances	15,887,374	10,529,360
	<u>960,104,783</u>	<u>1,080,096,111</u>

Ratings of Funds from which amounts are receivable and where the company has invested are as follows:

	--- As at June 30, 2015 ---		--- As at June 30, 2014 ---	
	-----Performance ranking-----			
Fund	Long-term	Short-term	Long-term	Short-term
MCB Pakistan Stock Market Fund	3 - star	3 - star	3 - star	3 - star
MCB Pakistan Capital Market Fund	3 - star	4 - star	3 - star	3 - star
Pakistan International Element Islamic Asset Allocation Fund	3 - star	4 - star	3 - star	3 - star
Pakistan Strategic Allocation Fund	2 - star	4 - star	2 - star	1 - star
MCB Pakistan Asset allocation Fund	4 - star	4 - star	4 - star	4 - star
				Rating agency
				PACRA
				PACRA
				PACRA
				PACRA
				PACRA
				PACRA

	--- As at June 30, 2015 ---		--- As at June 30, 2014 ---	
	-----Stability rating-----			
Fund	AAA (f)	A + (f)	AA - (f)	A + (f)
Pakistan Cash Management Fund	AAA (f)	A + (f)	AA - (f)	A + (f)
Pakistan Income Fund	A + (f)	A + (f)	AA - (f)	A + (f)
MCB Pakistan Sovereign Fund	A + (f)	A + (f)	AA - (f)	A + (f)
Pakistan Income Enhancement Fund	A + (f)	A + (f)	AA - (f)	A + (f)
MCB DCF Income Fund	A + (f)	A + (f)	AA - (f)	A + (f)
MCB Cash Management Optimizer	AA (f)	AA (f)	AA - (f)	A + (f)
MCB Islamic Income Fund	AA - (f)	AA - (f)	AA - (f)	A + (f)
MCB Pakistan Sarmaya Mehfooz Fund *	N/A	-	-	-
				Rating agency
				PACRA
				PACRA
				PACRA
				PACRA
				PACRA
				PACRA

\* Pakistan Sarmaya Mehfooz Fund was launched during the year dated December 19, 2014.

Ratings of banks with which deposits are kept are as follows:

	--- As at June 30, 2015 ---		--- As at June 30, 2014 ---	
	-----Rating-----			
BANK	Short-term	Long-term	Short-term	Long-term
MCB Bank Limited	A1+	AAA	A1+	AAA
Summit Bank Limited	A-1	A	A-3	A-
Bank Al Habib Limited	A1+	AA+	A1+	AA+
Allied Bank Limited	A1+	AA+	A1+	AA+
				Rating agency
				PACRA
				JCR-VIS
				PACRA
				PACRA



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 30.4 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios and rational investment decisions after taking into consideration the current availability of liquid resources. As at June 30, 2015, the Company's cash and bank balances amounted to Rs 13.912 million.

The management believes that the Company is not exposed to any significant level of liquidity risk because its liabilities are supported by other operating revenues generated by the Company and balances maintained with banks and are further supported by investments of the Company in its own funds under management which are readily convertible into cash.

The maturity profile of the Company's liability based on contractual maturities is disclosed in note 26.2.2 to these financial statements.

### 31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of investments in units of open-end collective investment schemes and pension funds are based on the net assets value announced by the Company at each reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

----- As at June 30, 2015 -----				
Level 1	Level 2	Level 3	Total	
----- Rupees -----				
Assets				
Investment in units of open-end collective investment schemes and pension funds				
Available-for-sale investments	515,727,989	633,313,253	-	1,149,041,242
Investments at fair value through profit or loss	38,025,601	-	-	38,025,601
	553,753,590	633,313,253	-	1,187,066,843
----- As at June 30, 2014 -----				
Level 1	Level 2	Level 3	Total	
----- Rupees -----				
Assets				
Investment in units of open-end collective investment schemes and pension funds				
Available-for-sale investments	356,922,294	84,644,853	-	441,567,147
Investments at fair value through profit or loss	515,915,923	-	-	515,915,923
	872,838,217	84,644,853	-	957,483,070

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**32 CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services that commensurate with the level of risk.

The company is subject to externally imposed minimum equity requirement of NBFC Rules 2003 and NBFC Regulation 2008 for providing asset management services and investment advisory services and is required to maintain Rs 230 million equity. The Company's paid up capital is above the minimum required threshold limit.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Currently, the Company is financing its operations through equity and working capital.

**33 TRANSACTIONS WITH RELATED PARTIES**

MCB Bank Limited (MCB) holds 51.33% ordinary shares of the Company as at the year end. Therefore, all subsidiaries and associated undertakings of MCB are related parties of the Company. Other related parties comprise of collective investment schemes managed by the Company, directors, key management personnel and their close family members and the defined contribution plan. Transactions with related parties are in the normal course of business and carried out at contracted rates and terms. Details of such transaction are as follows:

<b>33.1 Transactions with related parties during the year</b>	<b>2015</b>	<b>2014</b>
	<b>----- Rupees -----</b>	<b>-----</b>
<b>CONTRIBUTION TO PENSION FUND</b>	3,278,936	4,818,628
<b>MCB BANK LIMITED</b>		
Commission and other expenses	45,506,532	36,474,004
Profit on bank deposits	1,988,443	1,613,561
Bank charges	361,881	230,899
Markup on running finance	5,270,143	-
Reimbursement of expenses	11,000,000	-
Branch sharing expenses	5,520,000	3,792,367
Dividend paid	110,870,304	83,152,728
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Investment advisory fee	12,697,329	10,524,365
Amount paid against life assurance	3,458,829	4,070,616
<b>ADAMJEE INSURANCE COMPANY LIMITED</b>		
Amount paid against vehicles' and other insurance	859,796	832,930
Amount received against insurance claim	-	119,475
Dividend paid	9,532,770	7,641,765
<b>MCB FINANCIAL SERVICES LIMITED</b>		
Reimbursement of expenses	1,880,055	1,884,326
Trustee fee	2,267,465	
<b>ADAMJEE INSURANCE COMPANY LIMITED</b>		
Receivable against sale of software	-	2,000,000
<b>ARIF HABIB CORPORATION LIMITED</b>		
Dividend paid	64,992,500	48,744,376

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	----- Rupees -----	
<b>ARIF HABIB LIMITED</b>		
Dividend paid	5,258,216	4,213,722
<b>SUMMIT BANK LIMITED</b>		
Profit on bank deposits	212,542	205,157
Bank charges	-	3,489
<b>MCB DCF INCOME FUND</b>		
Management fee	192,393,507	163,339,610
Share of sales load	304,552	158,548
Amount received against registration charges	7,875	-
Investments in 65,088 units (2014:1,239,340 units)	7,000,000	126,174,619
Redemption of 2,649,885 units (2014:3,269,246 units)	283,375,461	333,000,000
Issue of bonus units (2014: 443,224 units)	-	44,765,621
<b>MCB DYNAMIC STOCK FUND</b>		
Management fee	-	16,688,339
Share of sales load	-	55,109
Investments in units (2014: 264,676 units)	-	31,000,000
Redemption of units (2014: 264,676 units)	-	31,174,630
<b>MCB PAKISTAN ASSET ALLOCATION FUND</b>		
Management fee	27,922,382	12,811,540
Share of sales load	306,807	195,986
Amount received against registration charges	7,875	-
Investments in 1,228,992 units (2014:1,299,132units)	105,000,000	95,000,000
Redemption of 3,593,404 units (2014:550,040 units)	311,014,599	42,000,000
Issue of bonus units	-	32,088,615
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Management fee	105,572,835	129,340,506
Share of sales load	-	124,263
Amount received against registration charges	7,875	-
Investments in 3,056,260 units (2014:49,887 units)	315,987,698	5,000,000
Redemption of 2,676,380 units (2014:50,921 units)	278,503,662	5,093,345
Issue of bonus units (2014: 1,035 units)	-	103,453
<b>MCB ISLAMIC INCOME FUND</b>		
Management fee	14,374,934	23,973,341
Amount received against registration charges	7,875	-
Share of sales load	27,212	212,433
<b>MCB PAKISTAN STOCK MARKET FUND</b>		
Management fee	94,332,861	32,498,079
Share of sales load	661,850	101,733
Amount received against conversion cost	1,135,912	-
Amount received against registration charges	7,875	-
Investments in 989,481 units (2014:77,214 units)	73,316,547	6,000,000
Redemption of 99,263 units (2014: Nil units)	7,000,000	-
Dividend income	3,795,440	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	----- Rupees -----	
<b>PAKISTAN INCOME FUND</b>		
Management fee	15,875,869	15,144,202
Share of sales load	32,397	16,419
Amount received against registration charges	7,875	-
<b>PAKISTAN PREMIER FUND</b>		
Management fee	-	10,882,844
Amount received against conversion cost	-	1,135,912
<b>MCB PAKISTAN SOVEREIGN FUND</b>		
Management fee	67,474,259	12,097,410
Share of sales load	41,075	25,582
Amount received against registration charges	7,875	
Investments in 6,806,825 units (2014: 1,520,877 units)	366,287,037	77,000,000
Redemption of 8,375,967 units (2014: 823,262 units)	472,217,033	41,491,060
Issue of bonus units (2014: 79,683 units)	-	3,984,155
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Management fee	9,270,695	7,160,561
Share of sales load	32,891	7,233
Amount received against registration charges	7,875	-
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Management fee	7,408,461	6,947,122
Amount received against conversion cost	1,520,031	1,520,031
Share of sales load	6,698	15,073
Amount received against registration charges	7,875	-
<b>PAKISTAN PENSION FUND</b>		
Management fee	10,586,501	7,125,627
Share of sales load	444,749	43,623
Amount received against registration charges	7,875	-
Redemption of units (2014: 47,804 units)	-	11,100,000
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Management fee	9,910,185	5,277,287
Share of sales load	196,229	67,812
Amount received against registration charges	7,875	-
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Management fee	5,549,212	3,841,319
Share of sales load	104,582	37,494
Amount received against registration charges	7,875	-
Investments in units (2014: 5,160 units)	-	1,000,000
<b>PAKISTAN SARMAYA MAHFOOZ FUND</b>		
Management fee	3,776,342	-
Share of sales load	3,283,666	-
Back-end load	234,224	-
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Management fee	22,944,442	31,895,930

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	----- Rupees -----	
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Management fee	23,737,416	17,336,963
Share of sales load	99,678	62,369
Amount received against registration charges	7,875	-
Investments in 1,619,031 units (2014: Nil units)	91,000,000	-
Redemption of 619,031 units (2014: Nil units)	92,033,857	-
<b>33.2 Amount outstanding as at year end</b>		
<b>MCB BANK LIMITED</b>		
Bank balance	12,610,032	7,511,943
Receivable as share of expense	206,162	206,162
Other payable	15,329,829	3,382,765
Commission payable	43,670,412	6,870,556
Mark up receivable	118,641	-
<b>ADAMJEE LIFE ASSURANCE COMPANY LIMITED</b>		
Advisory fee receivable	6,839,432	9,135,094
<b>MCB FINANCIAL SERVICES LIMITED</b>		
Payable against monthly reimbursement	150,000	167,500
Payable against trustee fee	200,000	-
<b>SUMMIT BANK LIMITED</b>		
Bank balance	3,177,246	3,017,026
Mark up receivable	12,883	-
<b>MCB DCF INCOME FUND</b>		
Remuneration receivable	85,283,263	47,661,854
Sales load receivable	40,743,932	10,582,915
Receivable against lawyer fee for stay order	100,000	-
Closing balance of investment in units (2014: 2,584,797 units)	-	261,330,685
<b>MCB PAKISTAN ASSET ALLOCATION FUND</b>		
Remuneration receivable	12,521,169	3,896,954
Sales load receivable	19,507,800	2,361,127
Receivable against lawyer fee for stay order	100,000	-
Closing balance of investment in units (2014: 2,364,412 units)	-	169,933,421
<b>MCB CASH MANAGEMENT OPTIMIZER</b>		
Remuneration receivable	49,524,722	36,949,201
Sales load receivable	21,708	111,708
Receivable against lawyer fee for stay order	100,000	-
Closing balance of investment in 379,880 units (2014: Nil units)	38,025,601	-
<b>MCB ISLAMIC INCOME FUND</b>		
Remuneration receivable	8,182,100	4,688,348
Sales load receivable	3,221,943	2,996,501
Receivable against lawyer fee for stay order	100,000	-
<b>MCB PAKISTAN STOCK MARKET FUND</b>		
Remuneration receivable	40,558,798	17,708,648
Sales load receivable	3,381,885	1,432,902
Other receivable	8,988	11,518
Conversion cost receivable	1,680,851	2,816,763
Closing balance of investment in 988,236 units (2014: 98,018 units)	82,250,918	6,131,953

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
	----- Rupees -----	
<b>PAKISTAN INCOME FUND</b>		
Remuneration receivable	7,546,726	5,902,907
Sales load receivable	270,282	86,404
Receivable against lawyer fee for stay order	100,000	-
Other receivable	5,090	-
<b>MCB PAKISTAN SOVEREIGN FUND</b>		
Remuneration receivable	20,633,825	5,011,930
Sales load receivable	4,149,995	740,431
Receivable against lawyer fee for stay order	100,000	-
Closing balance of investment in units (2014: 1,569,142 units)	-	78,519,864
<b>PAKISTAN CAPITAL MARKET FUND</b>		
Remuneration receivable	4,229,404	2,086,808
Sales load receivable	200,633	30,327
Receivable against lawyer fee for stay order	100,000	-
Other receivable	-	44,841
<b>PAKISTAN STRATEGIC ALLOCATION FUND</b>		
Remuneration receivable	3,449,290	2,730,500
Sales load receivable	150,975	37,918
Receivable against lawyer fee for stay order	100,000	-
Conversion cost receivable	2,082,764	3,602,795
<b>PAKISTAN PENSION FUND</b>		
Remuneration receivable	4,618,717	2,216,016
Sales load receivable	285,813	-
Receivable against lawyer fee for stay order	100,000	-
Closing balance of investment in 852,196 units (2014: 852,196 units)	214,253,990	175,418,882
<b>PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND</b>		
Remuneration receivable	4,480,481	1,700,221
Sales load receivable	1,082,236	609,094
Receivable against lawyer fee for stay order	100,000	-
<b>PAKISTAN ISLAMIC PENSION FUND</b>		
Remuneration receivable	2,297,687	1,179,868
Sales load receivable	285,095	105,289
Receivable against lawyer fee for stay order	100,000	-
Closing balance of investment in 905,160 units (2014: 905,160 units)	219,223,081	181,503,412
<b>PAKISTAN SARMAYA MEHFOOZ FUND</b>		
Remuneration receivable	1,439,611	-
Back end load receivable	305,168	-
Sales load receivable	2,261,634	-
Receivable against lawyer fee for stay order	100,000	-
Formation Cost	4,313,850	-
<b>PAKISTAN CASH MANAGEMENT FUND</b>		
Remuneration receivable	11,662,842	9,372,032
Other payable	106,971	-
Others receivable	25,015	-
<b>PAKISTAN INCOME ENHANCEMENT FUND</b>		
Remuneration receivable	9,533,074	6,847,776
Sales load receivable	1,325,040	812,794
Receivable against lawyer fee for stay order	100,000	-
Others receivable	13,560	3,530

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>34</b>	<b>NUMBER OF EMPLOYEES</b>	<b>2015</b>	<b>2014</b>
	Number of employees at June 30		
	- Permanent	102	71
	- Contractual	87	81
	Average number of employees during the year		
	- Permanent	87	72
	- Contractual	84	67

**35 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors in its meeting held on August 07, 2015 has proposed a cash dividend of Rs 1.75 per share (2014: Rs 1.5 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2015 do not include the effect of this appropriation which will be accounted for in the financial statements of the Company for the year ending June 30, 2016.

**36 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were approved and authorised for the issue on August 07, 2015 by the Board of Directors of the Company.

**37 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

**38 GENERAL**

Amounts have been rounded off to the nearest Rupee unless otherwise stated.



Chief Executive Officer



Director



















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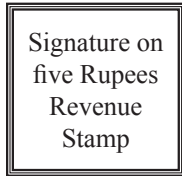
\*Mobile apps are also available for download for android and ios devices

**FORM OF PROXY**  
**15th ANNUAL GENERAL MEETING**  
**On October 12, 2015.**

The Company Secretary  
**MCB-Arif Habib Savings and Investments Limited**  
8<sup>th</sup> Floor, Techno City Corporate Tower  
Hasrat Mohani Road,  
Karachi-Pakistan

I/We \_\_\_\_\_ of  
\_\_\_\_\_ in the district of  
\_\_\_\_\_ being a member of MCB-Arif Habib Savings and Investments Limited,  
hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the  
15<sup>th</sup> Annual General Meeting of the Company to be held on Monday, October 12, 2015 and at any adjournment  
thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015



(The signature should agree with the specimen registered with the Company)

**1. WITNESS:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC/ Passport No. \_\_\_\_\_

**2. WITNESS:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

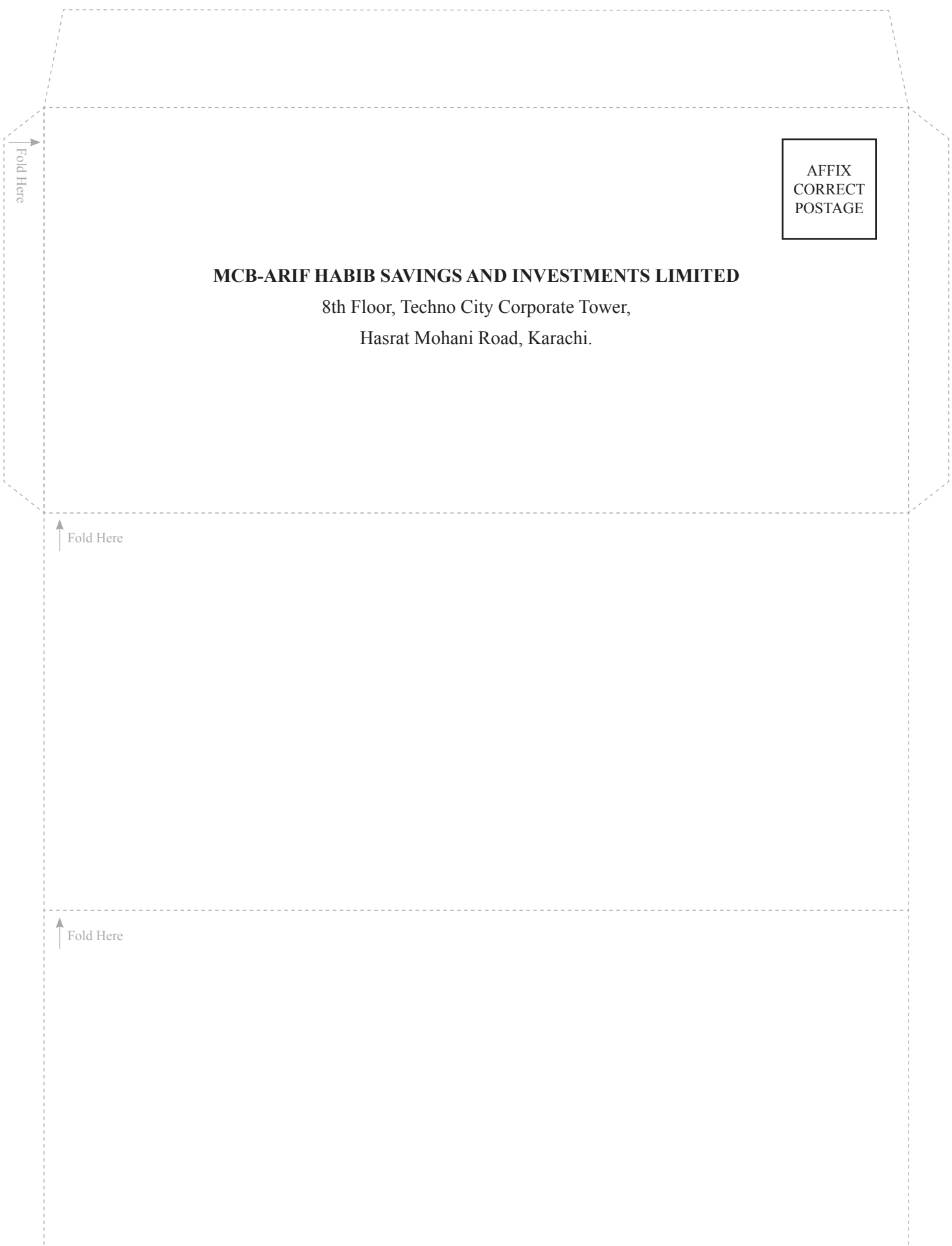
CNIC/ Passport No. \_\_\_\_\_

**Shareholder Folio No.**

**CDC Participant ID No & Sub Account No.**

**Note:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at 8<sup>th</sup> Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi-Pakistan not less than 48 hours before the time of holding the meeting. A proxy need not be a member of the Company.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of the proxy shall be rendered invalid.
3. CDC share holders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
4. The proxy shall produce his original CNIC or original passport at the time of the meeting.
5. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



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AFFIX  
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**MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED**

8th Floor, Techno City Corporate Tower,  
Hasrat Mohani Road, Karachi.

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## **MCB-Arif Habib Savings and Investments Limited**

**Head Office:** 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: 11-11-622-24 (11-11-MCB-AH), Karach, Lahore, Islamabad.

UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

**BACHAT CENTER:** 0800-622-24 (0800-MCB-AH), Fax: (+92-21) 32276898, 32276908

URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)